

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, 2012

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

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

OFFICIALS

| | |
|---|------------------------|
| Regional Superintendent (During the audit period through February 28, 2012) | Mr. Douglas Johnson |
| Regional Superintendent (Current and during the audit period effective May 14, 2012) | Ms. Patricia Dal Santo |
| Associate Regional Superintendent (During the audit period through June 30, 2012) | Mr. Harrison Schneider |
| Assistant Regional Superintendent (Current effective August 16, 2012) | Mr. Mark Klaisner |

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 internal control 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 | 2 |
| Repeated audit findings | 2 | 1 |
| Prior recommendations implemented or not repeated | 0 | 1 |

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

Additional matters which are less than significant deficiencies or material weaknesses but more than inconsequential, have been reported in a Management Letter of Comments to the Regional Superintendent. In prior years, these issues may have been included as immaterial findings in the auditors' reports.

SUMMARY OF FINDINGS AND QUESTIONED COSTS

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> | <u>Finding Type</u> |
|-----------------|-------------|--------------------|---------------------|
|-----------------|-------------|--------------------|---------------------|

FINDINGS (GOVERNMENT AUDITING STANDARDS)

| | | | |
|------|-------|---|--|
| 12-1 | 12-13 | Controls Over Financial Statement Preparation | Material Weakness |
| 12-2 | 14-16 | Inaccurate Expenditure Reports | Material Weakness and Noncompliance |

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

| | | | |
|------|----|--------------------------------|---|
| 12-2 | 17 | Inaccurate Expenditure Reports | Significant Deficiency and Noncompliance |
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**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

COMPLIANCE REPORT SUMMARY

SUMMARY OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> | <u>Finding Type</u> |
|-----------------|-------------|--------------------|---------------------|
|-----------------|-------------|--------------------|---------------------|

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

None

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

None

EXIT CONFERENCE

The Kane County Regional Office of Education No. 31 opted not to have a formal exit conference during the financial audit for the year ended June 30, 2012. Throughout the audit, numerous meetings were held between auditors and Regional Office officials to discuss matters contained in this audit report. Responses to the recommendations were provided by the Regional Office of Education on May 16, 2013.

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 Winkel, Parker & Foster, CPA PC.

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

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 the Kane County Regional Office of Education No. 31, as of and for the year ended June 30, 2012, 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, 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, 2012, and the respective changes in financial position and, where applicable, cash flows 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 our report dated June 20, 2013 on our consideration of 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 23 through 33 and 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, the Schedule of Disbursements to School District Treasurers and Other Entities, and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules, the Schedule of Disbursement to School District Treasurers and Other Entities, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
June 20, 2013

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

Honorable 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, 2012, which collectively comprise the Kane County Regional Office of Education No. 31's basic financial statements and have issued our report thereon dated June 20, 2013. 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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in findings 12-1 and 12-2 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

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 matter 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 12-2.

We also noted certain matters which we have reported to management of the Kane County Regional Office of Education No. 31 in a separate letter dated June 20, 2013.

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 Kane County Regional Office of Education No. 31's responses and, accordingly, we express no opinion on the responses.

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 entity, 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.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
June 20, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON 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 Kane County Regional Office of Education No. 31's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Kane County Regional Office of Education No. 31's major federal programs for the year ended June 30, 2012. The Kane County Regional Office of Education No. 31's major federal programs are identified in the summary of auditor's 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 12-2.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 12-2. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 the responses.

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 entity, 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.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
June 20, 2013

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Section I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: _____ Unqualified _____

Internal control over financial reporting:

- Material weakness(es) identified? x yes no
- Significant deficiencies identified? yes x none reported

Noncompliance material to financial statements noted? x yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes x no
- Significant deficiencies identified? x yes none reported

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

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

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| <u>84.010A</u> | <u>Title I Grants to Local Educational Agencies</u> |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

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

Auditee qualified as low-risk auditee? yes x no

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Section II: Financial Statement Findings:

FINDING NO. 12-1 - Controls Over Financial Statement Preparation (Repeat from 2011 - No. 11-1 and 2010 - No. 10-1)

Criteria/Specific Requirement:

The Regional Office of Education No. 31 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

Condition:

The Regional Office of Education No. 31 does not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect and correct financial statement misstatements and disclosure omissions in a timely manner. Auditors, in their review of the Regional Office's accounting records, noted numerous adjustments were required to present the financial statements in accordance with generally accepted accounting principles.

Effect:

Management or employees in the normal course of performing their assigned functions may not prevent or detect and correct financial statement misstatements and disclosure omissions in a timely manner.

Cause:

Management did not effectively detect all of the material adjustments needed in order to present financial statements in accordance with GAAP.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Section II: Financial Statement Findings:

FINDING NO. 12-1 - Controls Over Financial Statement Preparation (Repeat from 2011 - No. 11-1 and 2010.- No. 10-1) (Continued)

Recommendation:

As part of internal control over the preparation of financial statements, including disclosures, the Regional Office of Education No. 31 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office's activities and operations.

Management's Response:

The Business Office will provide financial statements on a regular and ongoing basis to the Superintendent and all required regulatory agencies in a timely manner. Grant managers will be involved on a regular basis in the review of their respective grant expenditure reports and submissions to ISBE. The new Finance Director is a CPA and will schedule training as necessary to best serve the ROE and the grants that support the ROE.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Section II: Financial Statement Findings:

FINDING NO. 12-2 - Inaccurate Expenditure Reports (Repeat from 2011 - No. 11-2)

Federal Program Name and Year: Title I Grants to Local Educational Agencies

Project Number: 12-4331-SS

CFDA Number: 84.010A

Passed Through: Will County Regional Office of Education No. 56

Federal Agency: U.S. Department of Education

Criteria/Specific Requirement:

Good business practices dictate that proper internal controls, such as management review and approval of expenditure reports submitted to granting agencies, should be in place. Amounts submitted on grant expenditure reports to granting agencies should be in agreement and reconcile with the general ledger.

Condition:

The Regional Office of Education No. 31 does not have adequate controls in place to ensure amounts submitted on grant expenditure reports are in agreement and reconcile with the general ledger. Auditors, during their review of expenditure reports, noted the following:

- The expenditure report submitted for the grant period ending June 30, 2012, for the Technology for Success grant, which was received from the Illinois State Board of Education, was inaccurately reported. When compared to expenditures recorded in the general ledger, all categories were inaccurately reported. In total, actual expenditures recorded in the general ledger were \$1,964 less than the amount reported in the expenditure report.
- The expenditure report submitted for the grant period ending June 30, 2012, for the ROE/ISC Operations grant, which was received from the Illinois State Board of Education, was inaccurately reported. When compared to expenditures recorded in the general ledger, all categories were inaccurately reported. In total, actual expenditures recorded in the general ledger were \$8,457 less than the amount reported in the expenditure report.
- The expenditure report submitted for the grant period ending June 30, 2012, for the Truants Alternative Optional Education Program grant, which was received from the Illinois State Board of Education, was inaccurately reported. In total, actual expenditures recorded in the general ledger were in excess of the amounts reported in the expenditure report.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Section II: Financial Statement Findings:

FINDING NO. 12-2 - Inaccurate Expenditure Reports (Repeat from 2011 - No. 11-2)
(Continued)

- The expenditure report submitted for the grant period ending June 30, 2012, for the Regional Safe Schools grant, which was received from the Illinois State Board of Education, was inaccurately reported. When compared to expenditures recorded in the general ledger, all categories were inaccurately reported. In total, actual expenditures recorded in the general ledger were \$7,366 less than the amount reported in the expenditure report.
- The total of expenditure reports submitted for fiscal year 2012, for the Title I - School Improvement & Accountability grant, which was received from the Will County Regional Office of Education No. 56, was inaccurately reported. In total, actual expenditures recorded in the general ledger were \$33,244 less than the amounts reported in the expenditure report.

Questioned Costs:

N/A

Context:

N/A

Effect:

Inadequate controls over financial reporting may result in inaccurate reporting of expenditures. Inaccurate reporting of expenditures may result in the Regional Office of Education No. 31 receiving funding for expenditures that were not allowable or actually incurred. Inability to substantiate amounts reported could also result in the Regional Office of Education No. 31 refunding portions of their grant awards or having portions of their current or future grant awards altered.

Cause:

Adjustments were made to the general ledger subsequent to the submission of expenditure reports. Therefore, expenditure reports submitted did not agree and reconcile with amounts recorded in the general ledger.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Section II: Financial Statement Findings:

**FINDING NO. 12-2 - Inaccurate Expenditure Reports (Repeat from 2011 - No. 11-2)
(Continued)**

Recommendation:

The Regional Office of Education No. 31 should contact granting agencies and reimburse excess funds due to the inaccurate expenditure reports. In the future, the Regional Office of Education No. 31's management should review expenditure reports and supporting documentation prior to submission to granting agencies to ensure that expenditures were actually incurred, allowable, and properly classified. Supporting expenditure documentation and indication of management's review should be included with a copy of the report and available for subsequent internal and external review and analysis. If adjustments are made to the general ledger subsequent to submission of the expenditure reports, the Regional Office of Education should contact the granting agencies to determine the need to amend its expenditure reports.

Management's Response:

The Business Office will provide financial statements on a regular and ongoing basis to the Superintendent and all required regulatory agencies in a timely manner. Grant managers will be involved on a regular basis in the review of their respective grant expenditure reports and submissions to ISBE. Submissions to granting agencies will match the general ledger and be filed with the confirmation reports as supporting documentation. Year-end reporting will include additional review of expenditures for proper allocation of expenditures between grant years.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Section III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance

**FINDING NO. 12-2 - Inaccurate Expenditure Reports (Repeat from 2011 - No. 11-2) -
(finding details on pages 14-16)**

Significant Deficiencies

**FINDING NO. 12-2 - Inaccurate Expenditure Reports (Repeat from 2011 - No. 11-2) -
(finding details on pages 14-16)**

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2012**

FINDING NO. 12-1 - Controls Over Financial Statement Preparation (Repeat from 2011 - No. 11-1 and 2010 - No. 10-1)

Condition:

The Regional Office of Education No. 31 does not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect and correct financial statement misstatements and disclosure omissions in a timely manner. Auditors, in their review of the Regional Office's accounting records, noted numerous adjustments were required to present the financial statements in accordance with generally accepted accounting principles.

Plan:

Effective with the fiscal year 2013 audit the Regional Office of Education No. 31 will continue its implementation of procedures to improve the timeliness and accuracy of the general ledger. The months will be closed in a timely manner and necessary adjustments will be made as needed. Prior to auditors arriving, year-end adjustments will be made to present the financial statements in accordance with generally accepted accounting principles.

Anticipated Completion Date:

September 30, 2013

Contact Person Responsible for Corrective Action:

Meg Fetzer, Finance Director, under the supervision of Regional Superintendent, Pat Dal Santo, Kane County Regional Office of Education No. 31

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2012**

FINDING NO. 12-2 - Inaccurate Expenditure Reports (Repeat from 2011 - No. 11-2)

Federal Program Name and Year: Title I Grants to Local Educational Agencies

Project Number: 12-4331-SS

CFDA Number: 84.010A

Passed Through: Will County Regional Office of Education No. 56

Federal Agency: U.S. Department of Education

Condition:

The Regional Office of Education No. 31 does not have adequate controls in place to ensure amounts submitted on grant expenditure reports are in agreement and reconcile with the general ledger. Auditors, during their review of expenditure reports, noted the following:

- The expenditure report submitted for the grant period ending June 30, 2012, for the Technology for Success grant, which was received from the Illinois State Board of Education, was inaccurately reported. When compared to expenditures recorded in the general ledger, all categories were inaccurately reported. In total, actual expenditures recorded in the general ledger were \$1,964 less than the amount reported in the expenditure report.
- The expenditure report submitted for the grant period ending June 30, 2012, for the ROE/ISC Operations grant, which was received from the Illinois State Board of Education, was inaccurately reported. When compared to expenditures recorded in the general ledger, all categories were inaccurately reported. In total, actual expenditures recorded in the general ledger were \$8,457 less than the amount reported in the expenditure report.
- The expenditure report submitted for the grant period ending June 30, 2012, for the Truants Alternative Optional Education Program grant, which was received from the Illinois State Board of Education, was inaccurately reported. In total, actual expenditures recorded in the general ledger were in excess of the amounts reported in the expenditure report.
- The expenditure report submitted for the grant period ending June 30, 2012, for the Regional Safe Schools grant, which was received from the Illinois State Board of Education, was inaccurately reported. When compared to expenditures recorded in the general ledger, all categories were inaccurately reported. In total, actual expenditures recorded in the general ledger were \$7,366 less than the amount reported in the expenditure report.
- The total of expenditure reports submitted for fiscal year 2012, for the Title I - School Improvement & Accountability grant, which was received from the Will County Regional Office of Education No. 56, was inaccurately reported. In total, actual expenditures recorded in the general ledger were \$33,244 less than the amounts reported in the expenditure report.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2012**

FINDING NO. 12-2 - Inaccurate Expenditure Reports (Repeat from 2011 - No. 11-2)
(Continued)

Plan:

All expenditure reports will be reviewed for accuracy by the Finance Director under the direction of the grant managers. Prior to auditors arriving, year-end adjustments will be made to present the financial statements in accordance with generally accepted accounting principles.

Anticipated Completion Date:

September 30, 2013

Contact Person Responsible for Corrective Action:

Meg Fetzer, Finance Director, under the supervision of Regional Superintendent, Pat Dal Santo, Kane County Regional Office of Education No. 31

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2012**

| <u>Finding No.</u> | <u>Condition</u> | <u>Current Status</u> |
|--------------------|---|-----------------------|
| 11-1 | Controls Over Financial Statement Preparation | Repeated |
| 11-2 | Inaccurate Expenditure Report | Repeated |

Management's Discussion and Analysis

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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, 2012 with comparative information for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the Regional Office of Education'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 Regional Office of Education, its operations and financial condition.

The purpose of the Kane County Regional Office of Education No. 31 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 121,944 public school students and 11,463 private/parochial students. Our region includes nine (K-12) unit districts, two community college districts, 169 public school buildings, and over 9,000 public/private school teachers.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

2012 Financial Highlights

- General Fund revenues increased from \$1,681,555 in fiscal year 2011 to \$2,214,989 in fiscal year 2012, while General Fund expenditures also increased from \$877,121 in fiscal year 2011 to \$1,349,195 in fiscal year 2012. The reason for the change is primarily due to increased enrollment counts, which increased the general state aid amount the Regional Office receives.
- Education Fund revenues decreased from \$3,049,951 in fiscal year 2011 to \$1,895,073 in fiscal year 2012. Expenses also decreased from \$2,564,196 in fiscal year 2011 to \$1,904,747 in fiscal year 2012. The decrease in revenues and expenses in the Education Fund is due to decreased funding, which also reduces the program expenditures the Regional Office is able to make. Additionally, the Education Fund is made up of grants that the Regional Office receives and these can vary greatly from year to year as some programs have decreased funding or are discontinued while others see a funding increase.
- Institute Fund revenues increased from \$133,931 in fiscal year 2011 to \$191,803 in fiscal year 2012. Expenses in the Institute Fund increased from \$54,458 in fiscal year 2011 to \$63,618 in fiscal year 2012. These increases were primarily due to an increased level of certification activities for the professional teachers and paraprofessionals in Kane County along with increased workshops available to districts.
- Enterprise Fund revenues decreased from \$801,046 in fiscal year 2011 to \$399,712 in fiscal year 2012. Enterprise Fund expenses also decreased from \$713,565 in fiscal year 2011 to \$411,059 in fiscal year 2012. This decrease was primarily due to the completion of a local technology project in fiscal year 2011.
- Government-wide revenues decreased by approximately 13% from \$5,418,734 in fiscal year 2011 to \$4,705,222 in fiscal year 2012. Government-wide expenses decreased by approximately 12% from \$4,338,976 in fiscal year 2011 to \$3,836,905 in fiscal year 2012.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

USING THIS ANNUAL REPORT

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

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

The government-wide financial statements consist of a Statement of Net 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 Regional Office's finances.

The fund financial statements report the Regional Office's operations in more detail than the government-wide statements by providing information that is needed for a full understanding of the data provided in the basic financial statements.

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 Supplemental Information further explains and supports the financial statements with information about the Illinois Municipal Retirement Fund Schedule of Funding Progress.

Other Supplemental Information provides detailed information about the major and nonmajor funds.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

REPORTING KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about Kane County Regional Office of Education No. 31 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of Kane County Regional Office of Education No. 31's assets and liabilities. All of the current year's 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 two 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 Regional Office's financial health or financial position. Over time, increases or decreases in net assets can be an indicator of whether financial position is improving or deteriorating. 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 more detailed information about Kane County Regional Office of Education 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. Kane County Regional Office of Education No. 31 established other funds to control and manage money for particular purposes.

Kane County Regional Office of Education No. 31 has three kinds of funds:

1) *Governmental funds*: Account for those funds through which most governmental functions of the Regional 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 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 Regional Office's programs. The governmental funds required financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance.

2) *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, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

3) *Fiduciary funds*: Account for assets held by the Regional Office 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 Regional Office. The net assets at the end of fiscal year 2012 and 2011 totaled \$6,080,471 and \$5,212,154, respectively. The analysis that follows provides a summary of the Regional Office's net assets as of June 30.

| <u>2012</u> | Governmental Activities | Business- Type Activities | Total |
|--|------------------------------------|--|---------------------|
| Current assets | \$ 6,551,260 | \$ 365,744 | \$ 6,917,004 |
| Capital assets, net of accumulated depreciation | <u>21,884</u> | <u>71,844</u> | <u>93,728</u> |
| Total assets | <u>6,573,144</u> | <u>437,588</u> | <u>7,010,732</u> |
| Current liabilities | 614,850 | 58,882 | 673,732 |
| Non-current liabilities | <u>227,827</u> | <u>28,702</u> | <u>256,529</u> |
| Total liabilities | <u>842,677</u> | <u>87,584</u> | <u>930,261</u> |
| Net assets | | | |
| Invested in capital assets, net of related debt | 17,499 | 34,378 | 51,877 |
| Unrestricted | 4,521,542 | 315,626 | 4,837,168 |
| Restricted for educational purposes | <u>1,191,426</u> | <u>-</u> | <u>1,191,426</u> |
| Total net assets | <u>\$ 5,730,467</u> | <u>\$ 350,004</u> | <u>\$ 6,080,471</u> |

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

| <u>2011</u> | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> |
|--|------------------------------------|--|----------------------------|
| Current assets | \$ 5,532,116 | \$ 483,819 | \$ 6,015,935 |
| Capital assets, net of accumulated depreciation | <u>31,395</u> | <u>40,605</u> | <u>72,000</u> |
| Total assets | <u>5,563,511</u> | <u>524,424</u> | <u>6,087,935</u> |
| Current liabilities | 519,434 | 162,549 | 681,983 |
| Non-current liabilities | <u>193,274</u> | <u>524</u> | <u>193,798</u> |
| Total liabilities | <u>712,708</u> | <u>163,073</u> | <u>875,781</u> |
| Net assets | | | |
| Invested in capital assets, net of related debt | 29,893 | 32,820 | 62,713 |
| Unrestricted | 3,767,382 | 328,531 | 4,095,913 |
| Restricted for educational purposes | <u>1,053,528</u> | <u>-</u> | <u>1,053,528</u> |
| Total net assets | <u>\$ 4,850,803</u> | <u>\$ 361,351</u> | <u>\$ 5,212,154</u> |

The Regional Office's net assets increased by \$868,317 (17%) from fiscal year 2011. The increase was primarily due to reduced expenditures,

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Changes in net assets. The following shows the changes in net assets for the years ended June 30, 2012 and 2011.

2012

| | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> |
|-------------------------------------|---|---|---------------------|
| Revenues: | | | |
| Program revenues | | | |
| Charges for services | \$ - | \$ 391,284 | \$ 391,284 |
| Operating grants and contributions | 2,467,405 | - | 2,467,405 |
| General revenues | | | |
| Local sources | 352,719 | 8,428 | 361,147 |
| State sources | 831,822 | - | 831,822 |
| On-behalf payments | <u>653,564</u> | <u>-</u> | <u>653,564</u> |
| Total revenues | <u>4,305,510</u> | <u>399,712</u> | <u>4,705,222</u> |
| Expenses: | | | |
| Education | | | |
| Salaries and benefits | 1,635,287 | 23,167 | 1,658,454 |
| Purchased services | 688,176 | 342,460 | 1,030,636 |
| Supplies and materials | 52,839 | 8,639 | 61,478 |
| Payments to other governments | 369,538 | 3,516 | 373,054 |
| Other objects | 3,973 | 322 | 4,295 |
| Capital outlay | 5,250 | 5,796 | 11,046 |
| Depreciation and disposition losses | 17,219 | 27,159 | 44,378 |
| Administrative | | | |
| On-behalf payments | <u>653,564</u> | <u>-</u> | <u>653,564</u> |
| Total expenses | <u>3,425,846</u> | <u>411,059</u> | <u>3,836,905</u> |
| Change in net assets | 879,664 | (11,347) | 868,317 |
| Net assets, beginning | <u>4,850,803</u> | <u>361,351</u> | <u>5,212,154</u> |
| Net assets, ending | <u>\$ 5,730,467</u> | <u>\$ 350,004</u> | <u>\$ 6,080,471</u> |

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

| <u>2011</u> | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> |
|--|------------------------------------|--|---------------------|
| Revenues: | | | |
| Program revenues | | | |
| Charges for services | \$ - | \$ 799,858 | \$ 799,858 |
| Operating grants and contributions | 3,009,898 | - | 3,009,898 |
| General revenues | | | |
| Local sources | 305,228 | 1,188 | 306,416 |
| State sources | 984,827 | - | 984,827 |
| On-behalf payments | <u>317,735</u> | <u>-</u> | <u>317,735</u> |
| Total revenues | <u>4,617,688</u> | <u>801,046</u> | <u>5,418,734</u> |
| Expenses: | | | |
| Education | | | |
| Salaries and benefits | 1,692,531 | - | 1,692,531 |
| Purchased services | 716,065 | 682,934 | 1,398,999 |
| Supplies and materials | 139,604 | 12,593 | 152,197 |
| Payments to other governments | 724,510 | - | 724,510 |
| Other objects | 3,770 | 283 | 4,053 |
| Capital outlay | 8 | 2,555 | 2,563 |
| Depreciation | 31,188 | 15,200 | 46,388 |
| Administrative | | | |
| On-behalf payments | <u>317,735</u> | <u>-</u> | <u>317,735</u> |
| Total expenses | <u>3,625,411</u> | <u>713,565</u> | <u>4,338,976</u> |
| Income before transfers | 992,277 | 87,481 | 1,079,758 |
| Transfers | <u>66,924</u> | <u>(66,924)</u> | <u>-</u> |
| Change in net assets | 1,059,201 | 20,557 | 1,079,758 |
| Net assets, beginning as restated | <u>3,791,602</u> | <u>340,794</u> | <u>4,132,396</u> |
| Net assets, ending | <u>\$ 4,850,803</u> | <u>\$ 361,351</u> | <u>\$ 5,212,154</u> |

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Governmental Activities

Revenues for governmental activities were \$4,305,510 and \$4,617,688 and expenses were \$3,425,846 and \$3,625,411 for 2012 and 2011, respectively. The decrease in program revenues and expenses was mainly due to decreased funding levels.

Business-Type Activities

Revenues for business-type activities were \$399,712 and \$801,046 and expenses were \$411,059 and \$713,565 for 2012 and 2011, respectively. The decrease in revenues and expenses was primarily due to the completion of a local technology project in fiscal year 2011.

INDIVIDUAL FUND ANALYSIS

As previously noted, Kane County Regional Office of Education 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 of \$5,498,789, above last year's ending fund balances of \$4,493,443.

Governmental Fund Highlights

The General Fund fund balance increased from \$3,547,164 in 2011 to \$4,415,403 in 2012. The increase in fund balance was mostly attributable to increased enrollment counts, which increased the general state aid amount the Regional Office receives.

The Education Fund fund balance slightly decreased from \$230,110 in 2011 to \$220,436 in 2012. The decrease in fund balance was mostly attributable to decreased funding levels of grants that the Regional Office utilizes to provide services to the Kane County student population. The Education Fund is primarily made up of grants the Regional Office receives and this can vary greatly from year to year as some programs are discontinued while others see a funding increase.

The Institute Fund fund balance increased from \$623,111 in 2011 to \$751,296 in 2012. The increase in fund balance was mostly attributable to increased teacher certification activities in anticipation of a system wide change in certification in 2013.

Proprietary Fund Highlights

Enterprise Fund net assets decreased from \$361,351 in 2011 to \$350,004 in 2012. The primary reason for the decrease is attributable to decreased revenues.

Enterprise Fund revenues decreased from \$801,046 in fiscal year 2011 to \$399,712 in fiscal year 2012. Enterprise Fund expenses also decreased from \$713,565 in fiscal year 2011 to \$411,059 in fiscal year 2012. This decrease was primarily due to the completion of a local technology project in fiscal year 2011.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Fiduciary Fund Highlights

Fiduciary funds remained fairly consistent when compared to the prior year. Total assets and liabilities decreased from \$81,373 in fiscal year 2011 to \$28,485 in fiscal year 2012. Transactions during fiscal year 2012 represent mainly transfers in and out of funds for the distributive and payroll funds.

BUDGETARY HIGHLIGHTS

The Kane County Regional Office of Education 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, the 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

The Regional Office's capital assets include office equipment, computers, audio-visual equipment, and office furniture. The Regional Office maintains an inventory of capital assets which have been accumulated over time. For fiscal year 2012, total additions and retirements amounted to \$66,106 and \$38,195, respectively. Depreciation expense for fiscal year 2012 was \$44,059 and disposition losses were \$319.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

ECONOMIC FACTORS BEARING ON KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31'S FUTURE

The state aid foundation for fiscal year 2012 increased over the prior year, but is expected to decrease slightly for fiscal year 2013.

County Board support is expected to remain at the current level for fiscal year 2013.

State fiscal year 2012 grant payments continue to be delayed with no real expected improvement for fiscal year 2013.

The Regional Office is expecting reduced grant revenues for federal grants for fiscal year 2013.

The Regional Office may see a slight increase in revenues for the Youth Home program as other surrounding counties utilize our services, which will increase the population at the Youth Home.

CONTACTING KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31'S FINANCIAL MANAGEMENT

This financial report is designed to provide Kane County Regional Office of Education No. 31's citizens, taxpayers, customers, and creditors with a general overview of Kane County Regional Office of Education No. 31's finances and to demonstrate Kane County Regional Office of Education No. 31's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kane County 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 fiscal year 2012 Annual Report is posted on the Kane County Regional Office of Education No. 31's website at <http://www.kaneroe.org>.

BASIC FINANCIAL STATEMENTS

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
STATEMENT OF NET ASSETS
June 30, 2012

| | Primary Government | | Total |
|---|----------------------------|-----------------------------|--------------|
| | Governmental Activities | Business-Type Activities | |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 4,406,883 | \$ 339,350 | \$ 4,746,233 |
| Investments | 853,122 | - | 853,122 |
| Accounts receivable | 13,406 | 5,470 | 18,876 |
| Due from other governments | 1,298,773 | - | 1,298,773 |
| Due from (to) other funds | (20,924) | 20,924 | - |
| Total current assets | 6,551,260 | 365,744 | 6,917,004 |
| Non-current assets: | | | |
| Capital assets, being depreciated, net | 21,884 | 71,844 | 93,728 |
| Total assets | 6,573,144 | 437,588 | 7,010,732 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 159,547 | 8,847 | 168,394 |
| Due to other governments | 412,620 | 41,271 | 453,891 |
| Deferred revenue | 41,701 | - | 41,701 |
| Leases payable | 982 | 8,764 | 9,746 |
| Total current liabilities | 614,850 | 58,882 | 673,732 |
| Non-current liabilities: | | | |
| Leases payable | 3,403 | 28,702 | 32,105 |
| Other postemployment benefits | 224,424 | - | 224,424 |
| Total non-current liabilities | 227,827 | 28,702 | 256,529 |
| Total liabilities | 842,677 | 87,584 | 930,261 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 17,499 | 34,378 | 51,877 |
| Unrestricted | 4,521,542 | 315,626 | 4,837,168 |
| Restricted for educational purposes | 1,191,426 | - | 1,191,426 |
| Total net assets | \$ 5,730,467 | \$ 350,004 | \$ 6,080,471 |

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2012

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues | | Net (Expenses) Revenues and Changes in Net Assets | | |
|-------------------------------------|--------------|-------------------------|--|--|-----------------------------|--------------|
| | | Charges for Services | Operating Grants and Contributions | Primary Government | | Total |
| | | | | Governmental Activities | Business-Type Activities | |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| Education: | | | | | | |
| Salaries and benefits | \$ 1,635,287 | \$ - | \$ 1,449,209 | \$ (186,078) | \$ - | \$ (186,078) |
| Purchased services | 688,176 | - | 621,316 | (66,860) | - | (66,860) |
| Supplies and materials | 52,839 | - | 47,736 | (5,103) | - | (5,103) |
| Payments to other governments | 369,538 | - | 333,848 | (35,690) | - | (35,690) |
| Other objects | 3,973 | - | 3,589 | (384) | - | (384) |
| Capital outlay | 5,250 | - | 11,707 | 6,457 | - | 6,457 |
| Depreciation and disposition losses | 17,219 | - | - | (17,219) | - | (17,219) |
| Administrative: | | | | | | |
| On-behalf payments | 653,564 | - | - | (653,564) | - | (653,564) |
| Total governmental activities | 3,425,846 | - | 2,467,405 | (958,441) | - | (958,441) |
| Business-type activities: | | | | | | |
| Professional development | 411,059 | 391,284 | - | - | (19,775) | (19,775) |
| Total primary government | \$ 3,836,905 | \$ 391,284 | \$ 2,467,405 | (958,441) | (19,775) | (978,216) |
| General revenues: | | | | | | |
| Local sources | | | | 352,719 | 8,428 | 361,147 |
| State sources | | | | 831,822 | - | 831,822 |
| On-behalf payments | | | | 653,564 | - | 653,564 |
| Total general revenue | | | | 1,838,105 | 8,428 | 1,846,533 |
| CHANGES IN NET ASSETS | | | | 879,664 | (11,347) | 868,317 |
| NET ASSETS, BEGINNING OF YEAR | | | | 4,850,803 | 361,351 | 5,212,154 |
| NET ASSETS, END OF YEAR | | | | \$ 5,730,467 | \$ 350,004 | \$ 6,080,471 |

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2012

| | <u>Special Revenue</u> | | | | <u>Total Governmental Funds</u> |
|---|-------------------------|---------------------------|---------------------------|-------------------------------------|---|
| | <u>General Fund</u> | <u>Institute Fund</u> | <u>Education Fund</u> | <u>Other Nonmajor Funds</u> | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 3,071,629 | \$ 749,893 | \$ 475,437 | \$ 109,924 | \$ 4,406,883 |
| Investments | 853,122 | - | - | - | 853,122 |
| Accounts receivable | 6,387 | 1,611 | - | 5,408 | 13,406 |
| Due from other governments | 819,642 | - | 479,131 | - | 1,298,773 |
| Due from other funds | 54,870 | - | - | - | 54,870 |
| TOTAL ASSETS | \$ 4,805,650 | \$ 751,504 | \$ 954,568 | \$ 115,332 | \$ 6,627,054 |
| LIABILITIES AND FUND BALANCE | | | | | |
| LIABILITIES | | | | | |
| Accounts payable and accrued expenses | \$ 59,684 | \$ 208 | \$ 97,402 | \$ 2,253 | \$ 159,547 |
| Due to other governments | - | - | 411,195 | 1,425 | 412,620 |
| Due to other funds | - | - | 75,794 | - | 75,794 |
| Deferred revenue | 330,563 | - | 149,741 | - | 480,304 |
| Total liabilities | 390,247 | 208 | 734,132 | 3,678 | 1,128,265 |
| FUND BALANCE | | | | | |
| Restricted | - | 751,296 | 264,778 | 111,654 | 1,127,728 |
| Assigned | 1,002,824 | - | - | - | 1,002,824 |
| Unassigned | 3,412,579 | - | (44,342) | - | 3,368,237 |
| Total fund balance | 4,415,403 | 751,296 | 220,436 | 111,654 | 5,498,789 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 4,805,650 | \$ 751,504 | \$ 954,568 | \$ 115,332 | \$ 6,627,054 |

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012**

| | |
|---|----------------------------|
| Total fund balance of governmental funds (page 37) | \$ 5,498,789 |
| 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. | 21,884 |
| Capital lease obligations are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. | (4,385) |
| Receivables not collected within 60 days of year end are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. | 438,603 |
| Other postemployment benefits reported in the Statement of Net Assets do not require the use of current financial resources and, therefore, are not reported as liabilities in the governmental funds. | <u>(224,424)</u> |
| Net assets of governmental activities (page 35) | <u>\$ 5,730,467</u> |

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

| | <u>Special Revenue</u> | | | | <u>Total Governmental Funds</u> |
|--|-------------------------|---------------------------|---------------------------|-------------------------------------|---|
| | <u>General Fund</u> | <u>Institute Fund</u> | <u>Education Fund</u> | <u>Other Nonmajor Funds</u> | |
| REVENUES: | | | | | |
| Local sources | \$ 65,412 | \$ 191,803 | \$ 12,376 | \$ 83,128 | \$ 352,719 |
| State sources | 1,496,013 | - | 944,514 | 2,655 | 2,443,182 |
| Federal sources | - | - | 938,183 | - | 938,183 |
| On-behalf payments | <u>653,564</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>653,564</u> |
| Total revenues | <u>2,214,989</u> | <u>191,803</u> | <u>1,895,073</u> | <u>85,783</u> | <u>4,387,648</u> |
| EXPENDITURES: | | | | | |
| Education: | | | | | |
| Salaries and benefits | 555,725 | - | 1,023,216 | 25,196 | 1,604,137 |
| Purchased services | 118,589 | 58,939 | 481,161 | 31,049 | 687,738 |
| Supplies and materials | 11,816 | 4,361 | 27,363 | 9,299 | 52,839 |
| Payments to other governments | - | - | 369,538 | - | 369,538 |
| Other objects | 12 | 2,318 | - | 1,643 | 3,973 |
| On-behalf payments | 653,564 | - | - | - | 653,564 |
| Capital outlay | <u>9,489</u> | <u>-</u> | <u>3,469</u> | <u>-</u> | <u>12,958</u> |
| Total expenditures | <u>1,349,195</u> | <u>63,618</u> | <u>1,904,747</u> | <u>87,187</u> | <u>3,384,747</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>865,794</u> | <u>128,185</u> | <u>(9,674)</u> | <u>18,596</u> | <u>1,002,901</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from long-term lease payable | 5,300 | - | - | - | 5,300 |
| Repayment of long-term lease payable | (2,855) | - | - | - | (2,855) |
| Transfers in | 250,000 | - | - | - | 250,000 |
| Transfers out | <u>(250,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(250,000)</u> |
| Total other financing sources (uses) | <u>2,445</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,445</u> |
| NET CHANGE IN FUND BALANCE | 868,239 | 128,185 | (9,674) | 18,596 | 1,005,346 |
| FUND BALANCE, BEGINNING OF YEAR | <u>3,547,164</u> | <u>623,111</u> | <u>230,110</u> | <u>93,058</u> | <u>4,493,443</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 4,415,403</u> | <u>\$ 751,296</u> | <u>\$ 220,436</u> | <u>\$ 111,654</u> | <u>\$ 5,498,789</u> |

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

Net change in fund balance (page 39) \$ 1,005,346

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

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

| | | |
|-------------------------------------|-----------------|---------|
| Capital outlay | \$ 7,708 | |
| Depreciation and disposition losses | <u>(17,219)</u> | (9,511) |

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.
 Capital leases are not revenues in the Statement
 of Activities, but rather constitute long-term
 liabilities in the Statement of Net Assets. (5,300)

Repayment of long-term capital lease obligations
 is reported as an expenditure in the
 governmental funds, but the repayment
 reduces long-term liabilities in the Statement
 of Net Assets. 2,417

Some receivables will not be collected for several
 months after fiscal year end, so they are
 not considered as "available" revenues in the
 governmental funds, and they are instead
 counted as deferred revenues. They are,
 however, recorded as revenues in the
 Statement of Activities. (82,138)

Other postemployment benefits are reported in the
 Statement of Activities but do not require the use
 of current financial resources and therefore
 are not reported in the governmental funds. (31,150)

Change in net assets of governmental activities (page 36) \$ 879,664

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

| | | <u>Business-Type Activities Enterprise Funds</u> |
|---|-----------|--|
| | | <u>Nonmajor Funds</u> |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ | 339,350 |
| Accounts receivable | | 5,470 |
| Due from other funds | | 33,389 |
| Total current assets | | <u>378,209</u> |
| Non-current assets: | | |
| Capital assets, net | | <u>71,844</u> |
| TOTAL ASSETS | | <u>450,053</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | | 8,847 |
| Due to other governments | | 41,271 |
| Due to other funds | | 12,465 |
| Leases payable | | 8,764 |
| Total current liabilities | | <u>71,347</u> |
| Non-current liabilities: | | |
| Leases payable | | <u>28,702</u> |
| TOTAL LIABILITIES | | <u>100,049</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | | 34,378 |
| Unrestricted | | <u>315,626</u> |
| TOTAL NET ASSETS | \$ | <u>350,004</u> |

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2012

| | | <u>Business-Type Activities Enterprise Funds</u> |
|--------------------------------------|-----------|--|
| | | <u>Nonmajor Funds</u> |
| OPERATING REVENUES: | | |
| Local sources | \$ | <u>391,284</u> |
| OPERATING EXPENSES: | | |
| Salaries and benefits | | 23,167 |
| Purchased services | | 342,460 |
| Supplies and materials | | 8,639 |
| Payment to other governments | | 3,516 |
| Other objects | | 322 |
| Capital outlay | | 5,796 |
| Depreciation | | <u>27,159</u> |
| Total operating expenses | | <u>411,059</u> |
| OPERATING LOSS | | (19,775) |
| NONOPERATING REVENUES | | |
| Interest revenue | | <u>8,428</u> |
| DECREASE IN NET ASSETS | | (11,347) |
| NET ASSETS, BEGINNING OF YEAR | | <u>361,351</u> |
| NET ASSETS, END OF YEAR | \$ | <u><u>350,004</u></u> |

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

| | <u>Business-Type Activities Enterprise Funds</u> |
|---|--|
| | <u>Nonmajor Funds</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Receipts for workshops and services | \$ 393,889 |
| Payments to suppliers and providers of goods and services | (420,420) |
| Payments to employees | (23,167) |
| Net cash used in operating activities | <u>(49,688)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | |
| Interfund loans | <u>(5,681)</u> |
| Net cash used in noncapital financing activities | <u>(5,681)</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | |
| Purchase of capital assets | (13,798) |
| Principal paid on capital lease obligations | (14,919) |
| Net cash used in capital financing activities | <u>(28,717)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Interest | <u>8,428</u> |
| Net cash provided by investing activities | <u>8,428</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (75,658) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>415,008</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 339,350</u> |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (19,775) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation | 27,159 |
| Effects of changes in assets and liabilities: | |
| Accounts receivable | 46,763 |
| Due from other governments | 1,335 |
| Accounts payable and accrued expenses | (63,851) |
| Due to other governments | 4,164 |
| Deferred revenue | (45,463) |
| Net cash used in operating activities | <u>\$ (49,688)</u> |

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ <u>28,485</u> |
| LIABILITIES | |
| Due to other governments | \$ <u>28,485</u> |

The accompanying notes are an integral part of the financial statements

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Kane County Regional Office of Education No. 31 operates under the School Code (Article 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.

Basis of Presentation

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 Regional Office that are governmental in nature and those that are considered business-type activities. Governmental activities normally are supported by operating grants and contributions, charges for services and intergovernmental revenues. Business-type activities normally are supported by amounts assessed or received from local sources for the Regional Office programs.

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary 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 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 to be available if they are collected within 60 days after year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Revenues received more than 60 days after the end of the current period are deferred in the governmental fund financial statements but are recognized as current revenues in the government-wide financial statements. In applying the susceptible to accrual concept 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.

It is the policy of the Kane County Regional Office of Education No. 31 to have preference utilizing restricted funds first, then unrestricted. For unrestricted fund balance, committed funds are preferred to use first, then assigned, then unassigned funds (if any) as appropriate.

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The accounts of 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 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 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 accounted and reported for as a major governmental fund in the financial statements. The following are included in the general funds:

Regional Program Development - Accounts for monies received for, and payment of expenditures to provide 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 Kane County Juvenile Justice Center (Youth Home Education).

General State Aid - Accounts for the grant monies received for, and payment of expenditures for Regional Learning Academy supplements.

Youth Home Education - Accounts for the grant monies received for, and payment of expenditures to provide an educational program for the students at the Kane County Juvenile Justice Center.

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

Operation Snowball - Accounts for the revenues and expenditures associated with programs for the prevention of alcohol and drug abuse of teens in our local high schools and to support them making smart choices in life.

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Education Fund - Accounts and reports for the proceeds of specific revenue sources that are restricted by grant agreements or contracts to expenditures for specific purposes supporting education enhancement programs as follows:

Technology for Success - Accounts for grant monies received for, and payment of expenditures to support learning technology services to the local school districts.

Federal Special Education - IDEA Flow-Through - Accounts for grant monies received for, and payment of expenditures 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 - Accounts for the grant monies received for, and payment of expenditures of the alternative school program for at-risk youth, creating alternative placement for those students.

Truants' Alternative Optional Education Program (TAOEP) - Accounts for grant monies received for, and payment of expenditures of the Truants' Alternative Program.

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

Title I - School Improvement & Accountability - Accounts for the grant 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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

McKinney Education for Homeless Children - Accounts for grant monies received for, and payment of expenditures 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 Will County Regional Office of Education No. 56.

Principal Mentoring - Accounts for the grant monies received for, and payment of expenditures 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.

Preschool Monitoring - Accounts for the grant monies received for, and payment of expenditures to reimburse personnel who evaluate preschools that receive funds from the universal preschool program initiated in 2006 by the Illinois Governor's office.

Gifted Education - Accounts for the revenues and expenditures associated with ongoing professional development for administrators and teachers for gifted and talented students.

Title I - Reading First - Accounts for the revenues and expenditures associated with ongoing professional development for administrators and teachers for the improvement of students' reading.

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

ARRA Technology - Accounts for ARRA grant monies received for, and payment of expenditures to support learning technology services to the local school districts.

Building State Capacity - Accounts for funds received for providing services to school districts to build programs for students and staff.

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.

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

General Educational 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 Regional Office of Education No. 31.

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

Education Service Center (ESC) Professional Development Local 2 - Accounts for local monies received for, and payment of expenditures from workshops conducted by Kane County Regional Office of Education No. 31.

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 comprised of the Northeastern Illinois Regional Offices of Education.

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

Visual Media Cooperative - Accounts for funds received and disbursed by the Regional 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.

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

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Criminal Background Investigation - Accounts for the fees 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 payment of expenditures for the Kane County Human Resources Consortium program.

Discovery Education United Streaming - Accounts for local revenues received from school districts which are used to pay for the digital video-on-demand services provided by Discovery Education.

Substitute Authorization - Accounts for monies received from the Substitute Authorization school code.

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 - 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 local monies received and subsequent payment of payroll expenditures.

Juvenile Drug Court - The Regional Office provides fiscal support to the Sixteenth Judicial Circuit Court 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 funds appropriated to Valley Education for Employment System and to school districts which are paid through the Kane County Regional Office of Education No. 31. These proceeds are received and disbursed to these entities and accounted for in a trustee capacity.

Regional Board of Trustees - Accounts for cash received from entities and citizens petitioning the Regional Board of Trustees to change boundaries. The Regional Superintendent, as agent, remits the fees collected to the appropriate agencies.

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 measureable and become available.

Non-exchange transactions, in which the Regional Office 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 the use is first permitted, matching requirements, in which the Regional Office must provide local resources to be used for specific purpose, and expenditure requirements, in which the resources are provided to the Regional Office on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Assets and Liabilities

The following accounting policies are followed in preparing the balance sheet:

Cash and cash equivalents - For presentation in the financial statements, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Investments - Investments consist of certificates of deposit that have a maturity date of more than three months at the day of purchase.

Due from other governments - Due from other governments represents amounts due from the Illinois State Board of Education, other agencies, and districts.

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 governmental funds. Capital assets are recorded at cost at the time of acquisition or fair value at the date of donation. The Regional Office 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.

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred revenues - The Regional Office 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.

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.

Governmental Fund Balance

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

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

Restricted Fund Balance - The portion of a Governmental Fund's net assets that are subject to external enforceable legal restrictions. The following accounts fund balances are restricted by grant agreements or contracts: Technology for Success, Federal Special Education - IDEA Flow-Through, Regional Safe Schools, Truants' Alternative and Optional Education Program (TAOEP), Title II - Teacher Quality - Leadership, Title I - School Improvement & Accountability, McKinney Education for Homeless Children, Gifted Education, and Title I - Reading First. The following funds are restricted by Illinois Statute: General Educational Development (GED), Bus Driver Training, Supervisory, and Institute Fund.

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

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned Fund Balance - The portion of a Governmental Fund's net assets to denote an intended use of resources. The following accounts comprise assigned fund balance: Youth Home Education and Local Truancy. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent.

Unassigned Fund Balance - Available expendable financial resources in a governmental fund that are not designated for a specific purpose. The unassigned fund balance is made up of the following funds: Regional Program Development, General State Aid, Principal Mentoring, Preschool Monitoring, and ROE/ISC Operations.

Net Assets

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

Invested in capital assets - Consists of capital assets, net of accumulated depreciation.

Restricted net assets - Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets".

Budgets and Budgetary Accounting

Kane County Regional Office of Education No. 31 did not formally adopt a budget for the year ended June 30, 2012 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:

Special Revenue Funds:

- Technology for Success
- Regional Safe Schools
- Truants' Alternative and Optional Education Program (TAOEP)
- ROE/ISC Operations
- ARRA Technology

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.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Revenue

Illinois State Board of Education (ISBE) funds received by the Regional Office 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.

Subsequent Events

Management has evaluated subsequent events through June 20, 2013, the date the financial statements were available to be issued.

NOTE 2 - CASH, CASH EQUIVALENTS, 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 \$4,774,718 at June 30, 2012, while the bank balance was \$4,891,777. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2012. Of the total bank balances as of June 30, 2012, \$625,000 was secured by federal depository insurance, and \$4,266,777 was collateralized by securities pledged by the Regional Office of Education No. 31's financial institution on behalf of the Regional Office.

The Regional Office's established investment policy follows the State of Illinois Public Funds Investment Act which authorizes the Regional Office 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 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, 2012, the Kane County Regional Office of Education No. 31 had cash equivalents with carrying and fair value of \$250,517 invested in the Illinois Funds Money Market.

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Credit Risk

At June 30, 2012, 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 provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

Interest Rate Risk

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

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 portfolio, with the exception of cash equivalents of U.S. Treasury securities. Further, certificates of deposit cannot exceed 10% of any single financial institution's total deposits.

Investments

The Regional Office of Education's investments at June 30, 2012 were as follows:

| | |
|------------------------|-------------------|
| Certificate of deposit | \$ 350,452 |
| Certificate of deposit | <u>502,670</u> |
| Total investments | <u>\$ 853,122</u> |

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2012 is as follows:

| | <u>June 30,</u> <u>2011</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30,</u> <u>2012</u> |
|--------------------------------|--------------------------------|-------------------|------------------|--------------------------------|
| Governmental Funds: | | | | |
| Furniture and equipment | \$ 657,128 | \$ 7,708 | \$ 35,148 | \$ 629,688 |
| Less: accumulated depreciation | <u>(625,733)</u> | <u>(16,900)</u> | <u>(34,829)</u> | <u>(607,804)</u> |
| Capital assets, net | <u>\$ 31,395</u> | <u>\$ (9,192)</u> | <u>\$ 319</u> | <u>\$ 21,884</u> |
| Proprietary Funds: | | | | |
| Furniture and equipment | \$ 117,629 | \$ 58,398 | \$ 3,047 | \$ 172,980 |
| Less: accumulated depreciation | <u>(77,024)</u> | <u>(27,159)</u> | <u>(3,047)</u> | <u>(101,136)</u> |
| Capital assets, net | <u>\$ 40,605</u> | <u>\$ 31,239</u> | <u>\$ -</u> | <u>\$ 71,844</u> |

Depreciation expense was charged as follows:

| | |
|----------------------------|------------------|
| Governmental Funds: | |
| Depreciation expense | \$ 16,900 |
| Proprietary Funds: | |
| Depreciation expense | <u>27,159</u> |
| Total depreciation expense | <u>\$ 44,059</u> |

NOTE 4 - 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 capital leases 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, 2012 were as follows:

| <u>Year Ending June 30</u> | <u>Amount</u> |
|---|------------------|
| 2013 | \$ 12,516 |
| 2014 | 11,961 |
| 2015 | 11,961 |
| 2016 | <u>11,961</u> |
| Total minimum lease payments | 48,399 |
| Less: amount representing interest | <u>6,548</u> |
| Present value of minimum lease payments | <u>\$ 41,851</u> |

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 - 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 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 6 - RETIREMENT FUND COMMITMENTS

Teachers' Retirement System of the State of Illinois

The Regional Office of Education 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, 2012, was 9.4 percent of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after Jan. 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2011 and 2010.

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 - RETIREMENT FUND COMMITMENTS (CONTINUED)

The State of Illinois makes contributions directly to TRS on behalf of the 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 Regional Office of Education No. 31. For the year ended June 30, 2012, the State of Illinois contributions were based on 24.91 percent of creditable earnings not paid from federal funds, and the Regional Office of Education No. 31 recognized revenue and expenditures of \$87,021 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2011 and June 30, 2010, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 23.10 percent (\$84,943) and 23.38 percent (\$84,010), respectively.

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. This rate is specified by statute. Contributions for the year ended June 30, 2012 were \$974. Contributions for the years ending June 30, 2011 and June 30, 2010, were \$1,022 and \$974, respectively.
- **Federal and Special Trust Fund Contributions.** When TRS members are paid from federal and special trust funds administered by the Regional Office of Education No. 31, there is a statutory requirement for the 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 for 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, 2012, the employer pension contribution was 24.91 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2011 and 2010, the employer contribution was 23.10 and 23.38 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2012, salaries totaling \$2,800 were paid from federal and special trust funds that required employer contributions of \$697. For the years ended June 30, 2011 and June 30, 2010, required employer contributions were \$528 and \$1,256, respectively.

- **Early Retirement Option (ERO).** The 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. The maximum employer ERO contribution is 117.5 percent and applies when the member is age 55 at retirement. For the years ended June 30, 2012, June 30, 2011 and June 30, 2010, the Regional Office of Education No. 31 paid no employer contributions under the ERO program.

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 - RETIREMENT FUND COMMITMENTS (CONTINUED)

- **Salary increases over 6 percent and excess sick leave.** 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 up to 6 percent. For the year ended June 30, 2012, the Regional Office of Education No. 31 paid \$133 to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2011, and June 30, 2010, the Regional Office of Education No. 31 did not make any employer contributions to TRS for 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 rate reported by the granting employer during the four-year sick leave review period, and the TRS total normal cost rate (17.83 percent of salary during the year ended June 30, 2012). For the years ended June 30, 2012, June 30, 2011, and June 30, 2010, the Regional Office of Education No. 31 did not make any employer contributions 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, 2011. The report for the year ended June 30, 2012, is expected to be available in late 2012.

The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, 2815 West Washington Street, P.O. Box 19253, Springfield, IL 62794-9253. The most current report is also available on the TRS Web site at <http://trs.illinois.gov>.

Illinois Municipal Retirement Fund

Plan Description. The 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 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. That report may be obtained online at www.imrf.org.

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 - RETIREMENT FUND COMMITMENTS (CONTINUED)

Funding Policy. As set by statute, the Regional Office of Education No. 31's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Regional Office of Education No. 31 annual required contribution rate for calendar year 2011 was 8.49 percent. The 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. The Regional Office of Education No. 31's required contribution for calendar year 2011 was \$0.

THREE YEAR TREND INFORMATION FOR THE REGULAR PLAN

| <u>Calendar Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-------------------------------------|--------------------------------------|--|-----------------------------------|
| 12/31/11 | \$ - | 100% | \$ - |
| 12/31/10 | - | 100% | - |
| 12/31/09 | - | 100% | - |

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, included (a) 7.5 percent 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% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the Regional Office of Education No. 31's 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 20% corridor between the actuarial and market value of assets. The Regional Office of Education No. 31's Regular plan's overfunded actuarial accrued liability at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Regular plan was 113.32 percent funded. The actuarial accrued liability for benefits was \$42,954 and the actuarial value of assets was \$48,676, resulting in an overfunded actuarial accrued liability (UAAL) of \$5,722. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$0. Because the plan is overfunded, there is no ratio of the UAAL to the covered payroll.

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 - RETIREMENT FUND COMMITMENTS (CONTINUED)

The schedule of funding progress, presented as Required Supplemental Information 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 7 - OTHER POSTEMPLOYMENT BENEFITS

The Regional Office of Education No. 31 participates in the Kane County Retiree postretirement medical plans (OPEB). The OPEB Plan recognizes the implicit rate subsidy as required by GASB Statement No. 45.

The actuarial valuation of liabilities under the OPEB Plan is calculated using the projected unit credit actuarial cost method as of the January 1, 2010 actuarial valuation and is for the 12 months period from January 1, 2010 through December 31, 2010. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately \$14,752,225 for Kane County as of December 31, 2010. The Regional Office of Education No. 31's portion of the unfunded actuarial accrued liability is not separately determinable from the Kane County actuarial study.

The Regional Office of Education No. 31 recognized an estimated net OPEB liability of \$224,424 for other postemployment benefits, which represents the Regional Office of Education No. 31's portion of Kane County's net OPEB obligation. The Regional Office of Education No. 31's estimated portion of the net OPEB obligation was calculated using the ratio of full-time equivalent employees of the Regional Office of Education No. 31 compared to full-time equivalent employees of Kane County.

Details of the OPEB Plan are available in Kane County's audit report for the year ended November 30, 2011. The report may be obtained by writing to the Kane County Government Center, 719 S. Batavia Avenue, Geneva, IL 60134.

Teachers Health Insurance Security Fund

The Regional Office of Education No. 31 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants may participate in the state administered participating provider option plan or choose from several managed care options.

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The Illinois Department of Healthcare and Family Services (HFS) and the Illinois Department of Central Management Services (CMS) administer the plan with the cooperation of TRS. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by CMS with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to THIS Fund.

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

- **On-behalf contributions to THIS Fund.** The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education No. 31. State contributions are intended to match contributions to THIS Fund from active members which were 0.88 percent of pay during the year ended June 30, 2012. State of Illinois contributions were \$1,478, and the Regional Office of Education No. 31 recognized revenue and expenditures of this amount during the year. State contributions intended to match active member contributions during the years ended June 30, 2011 and June 30, 2010 were 0.88 percent and 0.84 percent of pay, respectively. State contributions on behalf of the Regional Office of Education No. 31 employees were \$1,551 and \$3,018, respectively.
- **Employer contributions to THIS Fund.** The Regional Office of Education No. 31 also makes contributions to THIS Fund. The employer THIS Fund contribution was 0.66 percent during the years ended June 30, 2012 and June 30, 2011, and 0.63 percent during the year ended June 30, 2010. For the year ended June 30, 2012, the Regional Office of Education No. 31 paid \$1,109 to the THIS Fund. For the years ended June 30, 2011 and June 30, 2010, the Regional Office of Education No. 31 paid \$1,163 and \$1,058 to the THIS Fund, respectively, which was 100 percent of the required contribution.

The publicly available financial report of the THIS Fund may be obtained by writing to the Department of Healthcare and Family Services, 201 S. Grand Ave., Springfield, IL 62763-3838.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

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 - salary | \$ 87,180 |
| Regional Superintendent - benefits (includes state paid insurance) | 13,285 |
| Assistant Regional Superintendent - salary | 94,152 |
| Assistant Regional Superintendent - benefits (includes state paid insurance) | 15,095 |
| TRS on-behalf payments | 87,021 |
| THIS on-behalf payments | 1,478 |
| County on-behalf payments | <u>355,353</u> |
| Total on-behalf payments | <u>\$ 653,564</u> |

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

NOTE 9 - DEFICIT FUND BALANCES

At June 30, 2012, the following funds had deficit fund balances. They are expected to correct themselves in 2013, through payments from the State and transfers from local funds.

| | |
|----------------------|-------------|
| Education Fund | |
| Principal Mentoring | \$ (33,389) |
| Preschool Monitoring | (1,649) |
| ROE/ISC Operations | (9,304) |
| Proprietary Funds | |
| Technology | (2,575) |

NOTE 10 - DUE FROM/TO OTHER GOVERNMENTS

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

Due From Other Governments

| | |
|-----------------------------------|------------|
| General Fund | |
| Youth Home Education | |
| Local government | \$ 819,642 |
| Education Fund | |
| Technology for Success | |
| Illinois State Board of Education | 11,536 |

KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 10 - DUE FROM/TO OTHER GOVERNMENTS (CONTINUED)

| | |
|---|----------------------------|
| Federal Special Education - IDEA Flow-Through | |
| Local government | \$ 23,399 |
| Regional Safe Schools | |
| Illinois State Board of Education | 124,097 |
| Truants' Alternative and Optional Education Program (TAOEP) | |
| Illinois State Board of Education | 64,939 |
| Title I - School Improvement & Accountability | |
| Local government | <u>255,160</u> |
| Total | <u>\$ 1,298,773</u> |

Due To Other Governments

| | |
|---|--------------------------|
| Education Fund | |
| Regional Safe Schools | |
| Other local entities | \$ 335,320 |
| Title I - School Improvement & Accountability | |
| Other local entities | 75,375 |
| Building State Capacity | |
| Other local entities | 500 |
| Nonmajor Special Revenue Funds | |
| General Educational Development (GED) | |
| Other local entities | 1,425 |
| Nonmajor Proprietary Funds | |
| ESC Professional Development Local 2 | |
| Other local entities | 1,260 |
| Visual Media Cooperative | |
| Other local entities | 37,107 |
| Criminal Background Investigation | |
| Other local entities | 2,904 |
| Agency Funds | |
| Payroll | |
| Other local entities | 17,197 |
| Juvenile Drug Court | |
| Other local entities | 5,594 |
| Distributive | |
| Other local entities | 4,194 |
| Regional Board of Trustees | |
| Other local entities | <u>1,500</u> |
| Total | <u>\$ 482,376</u> |

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 11 - DUE FROM/TO FUNDS

Interfund receivables and payables, primarily made to cover cash deficits within pooled cash accounts, as of June 30, 2012 were:

| | <u>Due From</u> | <u>Due To</u> |
|---|------------------|------------------|
| General Fund | | |
| Regional Program Development | \$ 54,870 | \$ - |
| Education Fund | | |
| Technology for Success | - | 6,243 |
| Federal Special Education - IDEA Flow-Through | - | 11,393 |
| Truants' Alternative and Optional Education | | |
| Program (TAOEP) | - | 23,120 |
| Principal Mentoring | - | 33,389 |
| Preschool Monitoring | - | 1,649 |
| Proprietary Funds | | |
| ESC Professional Development Local 2 | 33,389 | - |
| Technology | - | 12,465 |
| Total | <u>\$ 88,259</u> | <u>\$ 88,259</u> |

NOTE 12 - TRANSFERS

Transfers are generally made to provide supplemental funding or move resources from the fund required to collect the resources to the fund required to expend the resources. The following is the detail of interfund transfers as of June 30, 2012:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|---------------------|----------------------|
| General Fund | | |
| Regional Program Development | \$ 250,000 | \$ - |
| Youth Home Education | - | 250,000 |
| Total | <u>\$ 250,000</u> | <u>\$ 250,000</u> |

NOTE 13 - RISK MANAGEMENT

Kane County Regional Office of Education No. 31 is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. Kane County Regional Office of Education No. 31 assumes liability for any deductibles and claims in excess of coverage limitations. There has been no significant reduction in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the year.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 14 - NEW PRONOUNCEMENTS

In 2012, Kane County Regional Office of Education No. 31 adopted the following pronouncements: Governmental Accounting Standards Board (GASB) Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. 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.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION
(Other than Management's Discussion and Analysis)

KANE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 31
 SCHEDULE OF FUNDING PROGRESS -
 ILLINOIS MUNICIPAL RETIREMENT FUND (Unaudited)
 June 30, 2012

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) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| 12/31/11 | \$ 48,676 | \$ 42,954 | \$ (5,722) | 113.32% | \$ - | N/A |
| 12/31/10 | 47,700 | 42,128 | (5,572) | 113.23% | - | N/A |
| 12/31/09 | 45,152 | 40,969 | (4,183) | 110.21% | - | N/A |

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$47,276. On a market basis, the funded ratio would be 110.06%.

SUPPLEMENTAL INFORMATION

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING SCHEDULE OF ACCOUNTS
 GENERAL FUND ACCOUNTS
 June 30, 2012

| | Regional Program Development | General State Aid | Youth Home Education | Local Truancy | Operation Snowball | Total |
|---|------------------------------------|----------------------|-------------------------|-------------------|-----------------------|---------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 1,527,691 | \$ 1,008,859 | \$ 334,077 | \$ 201,002 | \$ - | \$ 3,071,629 |
| Investments | - | 853,122 | - | - | - | 853,122 |
| Accounts receivable | - | - | - | 6,387 | - | 6,387 |
| Due from other governments | - | - | 819,642 | - | - | 819,642 |
| Due from other funds | 54,870 | - | - | - | - | 54,870 |
| TOTAL ASSETS | \$ 1,582,561 | \$ 1,861,981 | \$ 1,153,719 | \$ 207,389 | \$ - | \$ 4,805,650 |
| LIABILITIES AND FUND BALANCE | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable and accrued expenses | \$ 4,705 | \$ 27,258 | \$ 27,721 | \$ - | \$ - | \$ 59,684 |
| Deferred revenues | - | - | 330,563 | - | - | 330,563 |
| Total liabilities | 4,705 | 27,258 | 358,284 | - | - | 390,247 |
| FUND BALANCE | | | | | | |
| Assigned | - | - | 795,435 | 207,389 | - | 1,002,824 |
| Unassigned | 1,577,856 | 1,834,723 | - | - | - | 3,412,579 |
| Total fund balance | 1,577,856 | 1,834,723 | 795,435 | 207,389 | - | 4,415,403 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 1,582,561 | \$ 1,861,981 | \$ 1,153,719 | \$ 207,389 | \$ - | \$ 4,805,650 |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 GENERAL FUND ACCOUNTS
 Year Ended June 30, 2012

| | Regional Program <u>Development</u> | General <u>State Aid</u> | Youth Home <u>Education</u> | Local <u>Treasury</u> | Operation <u>Snowball</u> | <u>Totals</u> |
|--|---|-----------------------------|--------------------------------|--------------------------|------------------------------|---------------------|
| REVENUES: | | | | | | |
| Local sources | \$ 12,037 | \$ 9,577 | \$ 672 | \$ 14,711 | \$ 28,415 | \$ 65,412 |
| State sources | - | 593,443 | 902,570 | - | - | 1,496,013 |
| On-behalf payments | - | 653,564 | - | - | - | 653,564 |
| Total revenues | <u>12,037</u> | <u>1,256,584</u> | <u>903,242</u> | <u>14,711</u> | <u>28,415</u> | <u>2,214,989</u> |
| EXPENDITURES: | | | | | | |
| Education: | | | | | | |
| Salaries | - | 107,145 | 314,772 | - | - | 421,917 |
| Benefits | - | 23,508 | 110,300 | - | - | 133,808 |
| Purchased services | 49,938 | 18,824 | 16,390 | 570 | 32,867 | 118,589 |
| Supplies and materials | 4,549 | 369 | 5,476 | - | 1,422 | 11,816 |
| Other objects | 12 | - | - | - | - | 12 |
| On-behalf payments | - | 653,564 | - | - | - | 653,564 |
| Capital outlay | 2,713 | 5,300 | 1,476 | - | - | 9,489 |
| Total expenditures | <u>57,212</u> | <u>808,710</u> | <u>448,414</u> | <u>570</u> | <u>34,289</u> | <u>1,349,195</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(45,175)</u> | <u>447,874</u> | <u>454,828</u> | <u>14,141</u> | <u>(5,874)</u> | <u>865,794</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from long-term lease payable | - | 5,300 | - | - | - | 5,300 |
| Repayment of long-term lease payable | - | (2,855) | - | - | - | (2,855) |
| Transfers in | 250,000 | - | - | - | - | 250,000 |
| Transfers out | - | - | (250,000) | - | - | (250,000) |
| Total other financing sources (uses) | <u>250,000</u> | <u>2,445</u> | <u>(250,000)</u> | <u>-</u> | <u>-</u> | <u>2,445</u> |
| NET CHANGE IN FUND BALANCE | 204,825 | 450,319 | 204,828 | 14,141 | (5,874) | 868,239 |
| FUND BALANCE, BEGINNING OF YEAR | <u>1,373,031</u> | <u>1,384,404</u> | <u>590,607</u> | <u>193,248</u> | <u>5,874</u> | <u>3,547,164</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 1,577,856</u> | <u>\$ 1,834,723</u> | <u>\$ 795,435</u> | <u>\$ 207,389</u> | <u>\$ -</u> | <u>\$ 4,415,403</u> |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND ACCOUNTS
 June 30, 2012

| | Technology for Success | Federal Special Education - IDEA Flow-Through | Regional Safe Schools | Truants' Alternative and Optional Education Program (TAOEP) | Title II - Teacher Quality - Leadership | Title I - School Improvement & Accountability | McKinney Education for Homeless Children |
|---|---------------------------|---|--------------------------|--|---|---|---|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 258,246 | \$ - | \$ 9,270 | \$ 124,491 | \$ 63,194 |
| Due from other governments | 11,536 | 23,399 | 124,097 | 64,939 | - | 255,160 | - |
| TOTAL ASSETS | \$ 11,536 | \$ 23,399 | \$ 382,343 | \$ 64,939 | \$ 9,270 | \$ 379,651 | \$ 63,194 |
| LIABILITIES AND FUND BALANCE (DEFICIT) | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts payable and accrued expenses | \$ 4,242 | \$ 4,674 | \$ 5,843 | \$ 24,688 | \$ - | \$ 49,896 | \$ 3,339 |
| Due to other governments | - | - | 335,320 | - | - | 75,375 | - |
| Due to other funds | 6,243 | 11,393 | - | 23,120 | - | - | - |
| Deferred revenue | - | - | - | - | - | 141,284 | - |
| Total liabilities | 10,485 | 16,067 | 341,163 | 47,808 | - | 266,555 | 3,339 |
| FUND BALANCE (DEFICIT) | | | | | | | |
| Restricted | 1,051 | 7,332 | 41,180 | 17,131 | 9,270 | 113,096 | 59,855 |
| Unassigned | - | - | - | - | - | - | - |
| Total fund balance (deficit) | 1,051 | 7,332 | 41,180 | 17,131 | 9,270 | 113,096 | 59,855 |
| TOTAL LIABILITIES AND FUND BALANCE (DEFICIT) | \$ 11,536 | \$ 23,399 | \$ 382,343 | \$ 64,939 | \$ 9,270 | \$ 379,651 | \$ 63,194 |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND ACCOUNTS
June 30, 2012

| | <u>Principal Mentoring</u> | <u>Preschool Monitoring</u> | <u>Gifted Education</u> | <u>Title I - Reading First</u> | <u>ROE/ISC Operations</u> | <u>ARRA Technology</u> | <u>Building State Capacity</u> | <u>Totals</u> |
|---|--------------------------------|---------------------------------|-----------------------------|------------------------------------|-------------------------------|----------------------------|--|-------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 15,831 | \$ 32 | \$ 3,873 | \$ - | \$ 500 | \$ 475,437 |
| Due from other governments | - | - | - | - | - | - | - | 479,131 |
| TOTAL ASSETS | \$ - | \$ - | \$ 15,831 | \$ 32 | \$ 3,873 | \$ - | \$ 500 | \$ 954,568 |
| LIABILITIES AND FUND BALANCE (DEFICIT) | | | | | | | | |
| LIABILITIES | | | | | | | | |
| Accounts payable and accrued expenses | \$ - | \$ - | \$ - | \$ - | \$ 4,720 | \$ - | \$ - | \$ 97,402 |
| Due to other governments | - | - | - | - | - | - | 500 | 411,195 |
| Due to other funds | 33,389 | 1,649 | - | - | - | - | - | 75,794 |
| Deferred revenue | - | - | - | - | 8,457 | - | - | 149,741 |
| Total liabilities | 33,389 | 1,649 | - | - | 13,177 | - | 500 | 734,132 |
| FUND BALANCE (DEFICIT) | | | | | | | | |
| Restricted | - | - | 15,831 | 32 | - | - | - | 264,778 |
| Unassigned | (33,389) | (1,649) | - | - | (9,304) | - | - | (44,342) |
| Total fund balance (deficit) | (33,389) | (1,649) | 15,831 | 32 | (9,304) | - | - | 220,436 |
| TOTAL LIABILITIES AND FUND BALANCE (DEFICIT) | \$ - | \$ - | \$ 15,831 | \$ 32 | \$ 3,873 | \$ - | \$ 500 | \$ 954,568 |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2012

SCHEDULE 4

| | Technology for Success | Federal Special Education - IDEA Flow-Through | Regional Safe Schools | Truants' Alternative and Optional Education Program (TAOEP) | Title II - Teacher Quality - Leadership | Title I - School Improvement & Accountability | McKinney Education for Homeless Children |
|--|---------------------------|---|--------------------------|--|---|---|---|
| REVENUES: | | | | | | | |
| Local sources | \$ - | \$ - | \$ 34 | \$ - | \$ 4 | \$ 43 | \$ 10 |
| State sources | 56,522 | - | 507,182 | 279,101 | - | - | - |
| Federal sources | - | 98,849 | - | - | - | 739,548 | 51,700 |
| Total revenues | <u>56,522</u> | <u>98,849</u> | <u>507,216</u> | <u>279,101</u> | <u>4</u> | <u>739,591</u> | <u>51,710</u> |
| EXPENDITURES: | | | | | | | |
| Education: | | | | | | | |
| Salaries | 38,370 | 70,389 | 82,367 | 209,216 | - | 278,462 | 37,733 |
| Benefits | 11,331 | 21,721 | 28,318 | 65,206 | - | 94,470 | 6,658 |
| Purchased services | 2,249 | 8,083 | 28,399 | 10,226 | - | 389,803 | 2,616 |
| Supplies and materials | 886 | - | 3,338 | 27 | - | 18,680 | 2,086 |
| Payment to other governments | - | - | 328,207 | - | - | 15,546 | - |
| Capital outlay | - | - | 3,469 | - | - | - | - |
| Total expenditures | <u>52,836</u> | <u>100,193</u> | <u>474,098</u> | <u>284,675</u> | <u>-</u> | <u>796,951</u> | <u>49,093</u> |
| NET CHANGE IN FUND BALANCE (DEFICIT) | 3,686 | (1,344) | 33,118 | (5,574) | 4 | (57,370) | 2,617 |
| FUND BALANCE (DEFICIT), BEGINNING OF YEAR | <u>(2,635)</u> | <u>8,676</u> | <u>8,062</u> | <u>22,705</u> | <u>9,266</u> | <u>170,466</u> | <u>57,238</u> |
| FUND BALANCE (DEFICIT), END OF YEAR | <u>\$ 1,051</u> | <u>\$ 7,332</u> | <u>\$ 41,180</u> | <u>\$ 17,131</u> | <u>\$ 9,270</u> | <u>\$ 113,096</u> | <u>\$ 59,855</u> |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2012

SCHEDULE 4
 (CONTINUED)

| | <u>Principal Mentoring</u> | <u>Preschool Monitoring</u> | <u>Gifted Education</u> | <u>Title I - Reading First</u> | <u>ROE/ISC Operations</u> | <u>ARRA Technology</u> | <u>Building State Capacity</u> | <u>Totals</u> |
|--|--------------------------------|---------------------------------|-----------------------------|------------------------------------|-------------------------------|----------------------------|--|-------------------|
| REVENUES: | | | | | | | | |
| Local sources | \$ 12,000 | \$ - | \$ 6 | \$ - | \$ 278 | \$ - | \$ 1 | \$ 12,376 |
| State sources | - | - | 5,500 | - | 96,209 | - | - | 944,514 |
| Federal sources | - | - | - | - | - | 7,302 | 40,784 | 938,183 |
| Total revenues | <u>12,000</u> | <u>-</u> | <u>5,506</u> | <u>-</u> | <u>96,487</u> | <u>7,302</u> | <u>40,785</u> | <u>1,895,073</u> |
| EXPENDITURES: | | | | | | | | |
| Education: | | | | | | | | |
| Salaries | - | - | - | - | 80,469 | - | - | 777,006 |
| Benefits | - | - | - | - | 18,506 | - | - | 246,210 |
| Purchased services | 18,586 | - | - | - | 1,110 | 5,089 | 15,000 | 481,161 |
| Supplies and materials | - | - | - | - | 133 | 2,213 | - | 27,363 |
| Payment to other governments | - | - | - | - | - | - | 25,785 | 369,538 |
| Capital outlay | - | - | - | - | - | - | - | 3,469 |
| Total expenditures | <u>18,586</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>80,218</u> | <u>7,302</u> | <u>40,785</u> | <u>1,904,747</u> |
| NET CHANGE IN FUND BALANCE (DEFICIT) | (6,586) | - | 5,506 | - | 16,269 | - | - | (9,674) |
| FUND BALANCE (DEFICIT), BEGINNING OF YEAR | <u>(26,803)</u> | <u>(1,649)</u> | <u>10,325</u> | <u>32</u> | <u>(25,573)</u> | <u>-</u> | <u>-</u> | <u>230,110</u> |
| FUND BALANCE (DEFICIT), END OF YEAR | <u>\$ (33,389)</u> | <u>\$ (1,649)</u> | <u>\$ 15,831</u> | <u>\$ 32</u> | <u>\$ (9,304)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 220,436</u> |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2012

| | Technology for Success | | | | Regional Safe Schools | | | |
|--|------------------------|---------------|-----------------|----------------------------|-----------------------|----------------|------------------|----------------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
| | Original | Final | | | Original | Final | | |
| REVENUES: | | | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 34 | \$ 34 |
| State sources | 54,800 | 54,800 | 56,522 | 1,722 | 481,464 | 481,464 | 507,182 | 25,718 |
| Federal sources | - | - | - | - | - | - | - | - |
| Total revenues | 54,800 | 54,800 | 56,522 | 1,722 | 481,464 | 481,464 | 507,216 | 25,752 |
| EXPENDITURES: | | | | | | | | |
| Education: | | | | | | | | |
| Salaries | 40,425 | 40,425 | 38,370 | 2,055 | 119,952 | 119,952 | 82,367 | 37,585 |
| Benefits | 12,328 | 12,328 | 11,331 | 997 | 42,017 | 42,017 | 28,318 | 13,699 |
| Purchased services | 1,547 | 1,547 | 2,249 | (702) | 32,700 | 32,700 | 28,399 | 4,301 |
| Supplies and materials | 500 | 500 | 886 | (386) | 2,806 | 2,806 | 3,338 | (532) |
| Payments to other governments | - | - | - | - | 281,610 | 281,610 | 328,207 | (46,597) |
| Capital outlay | - | - | - | - | 2,379 | 2,379 | 3,469 | (1,090) |
| Total expenditures | 54,800 | 54,800 | 52,836 | 1,964 | 481,464 | 481,464 | 474,096 | 7,366 |
| NET CHANGE IN FUND BALANCE (DEFICIT) | \$ - | \$ - | 3,686 | \$ 3,686 | \$ - | \$ - | 33,118 | \$ 33,118 |
| FUND BALANCE (DEFICIT), BEGINNING OF YEAR | | | (2,635) | | | | 8,062 | |
| FUND BALANCE (DEFICIT), END OF YEAR | | | \$ 1,051 | | | | \$ 41,180 | |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2012

| | Truants' Alternative and Optional Education Program (TAOEP) | | | | ROE/ISC Operations | | | |
|--|---|----------------|-------------------|-------------------------------|--------------------|---------------|-------------------|-------------------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
| | Original | Final | | | Original | Final | | |
| REVENUES: | | | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 278 | \$ 278 |
| State sources | 274,939 | 274,939 | 279,101 | 4,162 | 88,675 | 88,675 | 96,209 | 7,534 |
| Federal sources | - | - | - | - | - | - | - | - |
| Total revenues | 274,939 | 274,939 | 279,101 | 4,162 | 88,675 | 88,675 | 96,487 | 7,812 |
| EXPENDITURES: | | | | | | | | |
| Education: | | | | | | | | |
| Salaries | 194,948 | 194,948 | 209,216 | (14,268) | 51,135 | 51,135 | 60,469 | (9,334) |
| Benefits | 72,787 | 72,787 | 65,208 | 7,581 | 21,072 | 21,072 | 18,506 | 2,566 |
| Purchased services | 7,025 | 7,025 | 10,226 | (3,201) | 10,675 | 10,675 | 1,110 | 9,565 |
| Supplies and materials | 179 | 179 | 27 | 152 | 3,793 | 3,793 | 133 | 3,660 |
| Payments to other governments | - | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | 2,000 | 2,000 | - | 2,000 |
| Total expenditures | 274,939 | 274,939 | 284,675 | (9,736) | 88,675 | 88,675 | 80,218 | 8,457 |
| NET CHANGE IN FUND BALANCE (DEFICIT) | \$ - | \$ - | (5,574) | \$ (5,574) | \$ - | \$ - | 16,269 | \$ 16,269 |
| FUND BALANCE (DEFICIT), BEGINNING OF YEAR | | | 22,705 | | | | (25,573) | |
| FUND BALANCE (DEFICIT), END OF YEAR | | | \$ 17,131 | | | | \$ (9,304) | |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2012

| | ARRA Technology | | | |
|--|------------------|--------------|-------------------|-------------------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
| | Original | Final | | |
| REVENUES: | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - |
| State sources | - | - | - | - |
| Federal sources | <u>7,302</u> | <u>7,302</u> | <u>7,302</u> | <u>-</u> |
| Total revenues | <u>7,302</u> | <u>7,302</u> | <u>7,302</u> | <u>-</u> |
| EXPENDITURES: | | | | |
| Education: | | | | |
| Salaries | - | - | - | - |
| Benefits | - | - | - | - |
| Purchased services | 5,090 | 5,090 | 5,089 | 1 |
| Supplies and materials | 2,212 | 2,212 | 2,213 | (1) |
| Payments to other governments | - | - | - | - |
| Capital outlay | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>7,302</u> | <u>7,302</u> | <u>7,302</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE (DEFICIT) | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| FUND BALANCE (DEFICIT), BEGINNING OF YEAR | | | <u>-</u> | |
| FUND BALANCE (DEFICIT), END OF YEAR | | | <u>\$ -</u> | |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2012

| ASSETS | <u>GED</u> | <u>Bus Driver Training</u> | <u>Supervisory</u> | <u>Totals</u> |
|---|--------------------------|--------------------------------|---------------------|--------------------------|
| Cash and cash equivalents | \$ 100,344 | \$ 9,540 | \$ 40 | \$ 109,924 |
| Accounts receivable | <u>4,866</u> | <u>542</u> | <u>-</u> | <u>5,408</u> |
| TOTAL ASSETS | <u>\$ 105,210</u> | <u>\$ 10,082</u> | <u>\$ 40</u> | <u>\$ 115,332</u> |
| LIABILITIES AND FUND BALANCE | | | | |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | \$ 2,253 | \$ - | \$ - | \$ 2,253 |
| Due to other governments | <u>1,425</u> | <u>-</u> | <u>-</u> | <u>1,425</u> |
| Total liabilities | <u>3,678</u> | <u>-</u> | <u>-</u> | <u>3,678</u> |
| FUND BALANCE | | | | |
| Restricted | <u>101,532</u> | <u>10,082</u> | <u>40</u> | <u>111,654</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 105,210</u> | <u>\$ 10,082</u> | <u>\$ 40</u> | <u>\$ 115,332</u> |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2012

SCHEDULE 7

| | <u>GED</u> | <u>Bus Driver Training</u> | <u>Supervisory</u> | <u>Totals</u> |
|--|-------------------|--------------------------------|--------------------|-------------------|
| REVENUES: | | | | |
| Local sources | \$ 74,394 | \$ 8,734 | \$ - | \$ 83,128 |
| State sources | - | 2,655 | - | 2,655 |
| Total revenues | <u>74,394</u> | <u>11,389</u> | <u>-</u> | <u>85,783</u> |
| EXPENDITURES: | | | | |
| Education: | | | | |
| Salaries | 19,527 | - | - | 19,527 |
| Benefits | 5,669 | - | - | 5,669 |
| Purchased services | 25,299 | 5,750 | - | 31,049 |
| Supplies and materials | 9,299 | - | - | 9,299 |
| Other objects | 1,500 | 143 | - | 1,643 |
| Total expenditures | <u>61,294</u> | <u>5,893</u> | <u>-</u> | <u>67,187</u> |
| NET CHANGE IN FUND BALANCE | 13,100 | 5,496 | - | 18,596 |
| FUND BALANCE, BEGINNING OF YEAR | <u>88,432</u> | <u>4,586</u> | <u>40</u> | <u>93,058</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 101,532</u> | <u>\$ 10,082</u> | <u>\$ 40</u> | <u>\$ 111,654</u> |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 June 30, 2012

SCHEDULE 8

| | ESC Professional Development <u>Local 2</u> | Technology | Kane County Library Resources Consortium | Visual Media Cooperative | Local Administrators Academy |
|---|---|-------------------|---|-----------------------------|------------------------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 11,197 | \$ - | \$ 8,208 | \$ 51,730 | \$ 140,993 |
| Accounts receivable | 1,515 | - | - | - | 2,025 |
| Due from other funds | 33,389 | - | - | - | - |
| Total current assets | 46,101 | - | 8,208 | 51,730 | 143,018 |
| Non-current assets: | | | | | |
| Capital assets, net | 40,952 | 16,246 | 13,680 | - | 1 |
| TOTAL ASSETS | 87,053 | 16,246 | 21,888 | 51,730 | 143,019 |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued expenses | 2,491 | 6,356 | - | - | - |
| Due to other governments | 1,260 | - | - | 37,107 | - |
| Due to other funds | - | 12,465 | - | - | - |
| Leases payable | 8,764 | - | - | - | - |
| Total current liabilities | 12,515 | 18,821 | - | 37,107 | - |
| Non-current liabilities: | | | | | |
| Leases payable | 28,702 | - | - | - | - |
| TOTAL LIABILITIES | 41,217 | 18,821 | - | 37,107 | - |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 3,486 | 16,246 | 13,680 | - | 1 |
| Unrestricted | 42,350 | (18,821) | 8,208 | 14,623 | 143,018 |
| TOTAL NET ASSETS | \$ 45,836 | \$ (2,575) | \$ 21,888 | \$ 14,623 | \$ 143,019 |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 June 30, 2012

SCHEDULE 8
 (CONTINUED)

| | <u>Criminal Background Investigation</u> | <u>Kane County Human Resources Consortium</u> | <u>Discovery Education United Streaming</u> | <u>Substitute Authorization</u> | <u>Totals</u> |
|---|--|---|---|-------------------------------------|-------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 71,316 | \$ 55,520 | \$ 1 | \$ 385 | \$ 339,350 |
| Accounts receivable | 1,930 | - | - | - | 5,470 |
| Due from other funds | - | - | - | - | 33,389 |
| Total current assets | <u>73,246</u> | <u>55,520</u> | <u>1</u> | <u>385</u> | <u>378,209</u> |
| Non-current assets: | | | | | |
| Capital assets, net | 965 | - | - | - | 71,844 |
| TOTAL ASSETS | <u>74,211</u> | <u>55,520</u> | <u>1</u> | <u>385</u> | <u>450,053</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued expenses | - | - | - | - | 8,847 |
| Due to other governments | 2,904 | - | - | - | 41,271 |
| Due to other funds | - | - | - | - | 12,465 |
| Leases payable | - | - | - | - | 8,764 |
| Total current liabilities | <u>2,904</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>71,347</u> |
| Non-current liabilities: | | | | | |
| Leases payable | - | - | - | - | 28,702 |
| TOTAL LIABILITIES | <u>2,904</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>100,049</u> |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 965 | - | - | - | 34,378 |
| Unrestricted | 70,342 | 55,520 | 1 | 385 | 315,626 |
| TOTAL NET ASSETS | <u>\$ 71,307</u> | <u>\$ 55,520</u> | <u>\$ 1</u> | <u>\$ 385</u> | <u>\$ 350,004</u> |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2012

SCHEDULE 9

| | ESC Professional Development <u>Local 2</u> | Technology | Kane County Library Resources Consortium | Visual Media Cooperative | Local Administrators Academy |
|--|---|-------------------|---|-----------------------------|------------------------------------|
| OPERATING REVENUES: | | | | | |
| Local sources | \$ 39,940 | \$ 11,750 | \$ 69,585 | \$ - | \$ 38,670 |
| OPERATING EXPENSES: | | | | | |
| Salaries | - | - | - | - | - |
| Benefits | - | - | - | - | - |
| Purchased services | 50,847 | 16,339 | 73,139 | - | 12,347 |
| Supplies and materials | 3,220 | 1,597 | 2,636 | - | 779 |
| Payment to other governments | 3,516 | - | - | - | - |
| Other objects | - | - | - | - | 320 |
| Capital outlay | 953 | 712 | 4,131 | - | - |
| Depreciation | 16,564 | 6,559 | 3,493 | - | 99 |
| Total operating expenses | <u>75,100</u> | <u>25,207</u> | <u>83,399</u> | <u>-</u> | <u>13,545</u> |
| OPERATING INCOME (LOSS) | (35,160) | (13,457) | (13,814) | - | 25,125 |
| NONOPERATING REVENUES | | | | | |
| Interest revenue | <u>7,863</u> | <u>2</u> | <u>7</u> | <u>434</u> | <u>71</u> |
| INCREASE (DECREASE) IN NET ASSETS | (27,297) | (13,455) | (13,807) | 434 | 25,196 |
| NET ASSETS, BEGINNING OF YEAR | <u>73,133</u> | <u>10,880</u> | <u>35,695</u> | <u>14,189</u> | <u>117,823</u> |
| NET ASSETS, END OF YEAR | <u>\$ 45,836</u> | <u>\$ (2,575)</u> | <u>\$ 21,888</u> | <u>\$ 14,623</u> | <u>\$ 143,019</u> |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2012

SCHEDULE 9
 (CONTINUED)

| | <u>Criminal Background Investigation</u> | <u>Kane County Human Resources Consortium</u> | <u>Discovery Education United Streaming</u> | <u>Substitute Authorization</u> | <u>Totals</u> |
|--|--|---|---|-------------------------------------|-------------------|
| OPERATING REVENUES: | | | | | |
| Local sources | \$ 121,292 | \$ 49,000 | \$ 49,705 | \$ 11,342 | \$ 391,284 |
| OPERATING EXPENSES: | | | | | |
| Salaries | - | 8,829 | - | 8,544 | 17,373 |
| Benefits | - | 3,171 | - | 2,623 | 5,794 |
| Purchased services | 108,890 | 31,190 | 49,708 | - | 342,460 |
| Supplies and materials | 407 | - | - | - | 8,639 |
| Payment to other governments | - | - | - | - | 3,516 |
| Other objects | 2 | - | - | - | 322 |
| Capital outlay | - | - | - | - | 5,796 |
| Depreciation | 444 | - | - | - | 27,159 |
| Total operating expenses | <u>109,743</u> | <u>43,190</u> | <u>49,708</u> | <u>11,167</u> | <u>411,059</u> |
| OPERATING INCOME (LOSS) | 11,549 | 5,810 | (3) | 175 | (19,775) |
| NONOPERATING REVENUES | | | | | |
| Interest revenue | <u>24</u> | <u>24</u> | <u>3</u> | <u>-</u> | <u>8,428</u> |
| INCREASE (DECREASE) IN NET ASSETS | 11,573 | 5,834 | - | 175 | (11,347) |
| NET ASSETS, BEGINNING OF YEAR | <u>59,734</u> | <u>49,686</u> | <u>1</u> | <u>210</u> | <u>361,351</u> |
| NET ASSETS, END OF YEAR | <u>\$ 71,307</u> | <u>\$ 55,520</u> | <u>\$ 1</u> | <u>\$ 385</u> | <u>\$ 350,004</u> |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2012

SCHEDULE 10

| | ESC Professional Development <u>Local 2</u> | Technology | Kane County Library Resources Consortium | Visual Media Cooperative | Local Administrators Academy |
|--|---|-----------------|---|-----------------------------|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Receipts for workshops and services | \$ 59,600 | \$ 42,633 | \$ 33,102 | \$ - | \$ 37,905 |
| Payments to suppliers and providers of goods and services | (61,017) | (43,176) | (115,468) | - | (13,446) |
| Payments to employees | - | - | - | - | - |
| Net cash provided by (used in) operating activities | <u>(1,417)</u> | <u>(543)</u> | <u>(82,366)</u> | <u>-</u> | <u>24,459</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| Interfund loans | (15,536) | 9,855 | - | - | - |
| Net cash provided by (used in) noncapital financing activities | <u>(15,536)</u> | <u>9,855</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | | | | |
| Purchase of capital assets | (4,484) | (9,314) | - | - | - |
| Principal paid on capital lease obligations | (14,919) | - | - | - | - |
| Net cash used in capital financing activities | <u>(19,403)</u> | <u>(9,314)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Interest | 7,863 | 2 | 7 | 434 | 71 |
| Net cash provided by investing activities | <u>7,863</u> | <u>2</u> | <u>7</u> | <u>434</u> | <u>71</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (28,493) | - | (82,378) | 434 | 24,530 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 39,690 | - | 90,587 | 51,296 | 116,463 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 11,197 | \$ - | \$ 8,208 | \$ 51,730 | \$ 140,993 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Operating income (loss) | \$ (35,160) | \$ (13,457) | \$ (13,814) | \$ - | \$ 25,125 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Depreciation | 16,564 | 6,559 | 3,493 | - | 99 |
| Effects of changes in assets and liabilities: | | | | | |
| Accounts receivable | 18,535 | 30,883 | - | - | (765) |
| Due from other governments | 1,125 | - | - | - | - |
| Accounts payable and accrued expenses | (3,741) | (24,528) | (35,582) | - | - |
| Due to other governments | 1,260 | - | - | - | - |
| Deferred revenue | - | - | (36,483) | - | - |
| Net cash provided by (used in) operating activities | \$ (1,417) | \$ (543) | \$ (82,366) | \$ - | \$ 24,459 |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2012

SCHEDULE 10
 (CONTINUED)

| | Criminal Background Investigation | Kane County Human Resources Consortium | Discovery Education United Streaming | Substitute Authorization | Totals |
|--|---|---|---|-----------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Receipts for workshops and services | \$ 118,402 | \$ 40,000 | \$ 49,705 | \$ 11,552 | \$ 393,899 |
| Payments to suppliers and providers of goods and services | (106,395) | (31,190) | (49,708) | - | (420,420) |
| Payments to employees | - | (12,000) | - | (11,167) | (23,167) |
| Net cash provided by (used in) operating activities | <u>13,007</u> | <u>(3,190)</u> | <u>(3)</u> | <u>385</u> | <u>(49,688)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| Interfund loans | - | - | - | - | (5,681) |
| Net cash provided by (used in) noncapital financing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(5,681)</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | | | | |
| Purchase of capital assets | - | - | - | - | (13,798) |
| Principal paid on capital lease obligations | - | - | - | - | (14,919) |
| Net cash used in capital financing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(28,717)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Interest | 24 | 24 | 3 | - | 8,428 |
| Net cash provided by investing activities | <u>24</u> | <u>24</u> | <u>3</u> | <u>-</u> | <u>8,428</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 13,031 | (3,166) | - | 385 | (75,656) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>58,285</u> | <u>58,686</u> | <u>1</u> | <u>-</u> | <u>415,008</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 71,316</u> | <u>\$ 55,520</u> | <u>\$ 1</u> | <u>\$ 385</u> | <u>\$ 339,350</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Operating income (loss) | \$ 11,549 | \$ 5,810 | \$ (3) | \$ 175 | \$ (19,775) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Depreciation | 444 | - | - | - | 27,159 |
| Effects of changes in assets and liabilities: | | | | | |
| Accounts receivable | (1,890) | - | - | - | 46,763 |
| Due from other governments | - | - | - | 210 | 1,335 |
| Accounts payable and accrued expenses | - | - | - | - | (63,851) |
| Due to other governments | 2,904 | - | - | - | 4,164 |
| Deferred revenue | - | (9,000) | - | - | (45,483) |
| Net cash provided by (used in) operating activities | <u>\$ 13,007</u> | <u>\$ (3,190)</u> | <u>\$ (3)</u> | <u>\$ 385</u> | <u>\$ (49,688)</u> |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 June 30, 2012

| | <u>Payroll</u> | <u>Juvenile Drug Court</u> | <u>Distributive</u> | <u>Regional Board of Trustees</u> | <u>Total</u> |
|---------------------------|----------------|--------------------------------|---------------------|---------------------------------------|--------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 17,197 | \$ 5,594 | \$ 4,194 | \$ 1,500 | \$ 28,485 |
| LIABILITIES | | | | | |
| Due to other governments | \$ 17,197 | \$ 5,594 | \$ 4,194 | \$ 1,500 | \$ 28,485 |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING STATEMENT OF CHANGES IN
 ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2012

| | Balance, <u>June 30, 2011</u> | <u>Additions</u> | <u>Deductions</u> | Balance, <u>June 30, 2012</u> |
|---------------------------------------|----------------------------------|------------------|-------------------|----------------------------------|
| PAYROLL | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 77,206 | \$ 1,655,551 | \$ 1,715,560 | \$ 17,197 |
| LIABILITIES | | | | |
| Due to other governments | \$ 77,206 | \$ 1,655,551 | \$ 1,715,560 | \$ 17,197 |
| JUVENILE DRUG COURT | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 3 | \$ 5,591 | \$ - | \$ 5,594 |
| LIABILITIES | | | | |
| Due to other governments | \$ 3 | \$ 5,591 | \$ - | \$ 5,594 |
| DISTRIBUTIVE | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 4,164 | \$ 2,297,213 | \$ 2,297,183 | \$ 4,184 |
| LIABILITIES | | | | |
| Due to other governments | \$ 4,164 | \$ 2,297,213 | \$ 2,297,183 | \$ 4,184 |
| REGIONAL BOARD OF TRUSTEES | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ 1,500 | \$ - | \$ 1,500 |
| LIABILITIES | | | | |
| Due to other governments | \$ - | \$ 1,500 | \$ - | \$ 1,500 |
| TOTAL ALL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 81,373 | \$ 3,959,855 | \$ 4,012,743 | \$ 28,485 |
| LIABILITIES | | | | |
| Due to other governments | \$ 81,373 | \$ 3,959,855 | \$ 4,012,743 | \$ 28,485 |

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT
 TREASURERS AND OTHER ENTITIES
 Year Ended June 30, 2012**

Valley Education for Employment System

| | | |
|---|----|-----------|
| Vocational Education - Career and Technical Education Improvement | \$ | 1,685,978 |
| Vocational Education - Agriculture Education | | 13,363 |
| Vocational Education - CTE Perkins | | 597,842 |
| | | 597,842 |
| | \$ | 2,297,183 |

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2012

| Federal Grantor/Pass-Through Grantor, Program or Cluster Title | CFDA Number | Project Number (1st 8 digits) or Contract # | Federal Expenditures June 30, 2012 |
|--|-------------|---|------------------------------------|
| U.S. Department of Education passed through Illinois State Board of Education: ARRA Education Technology State Grants, Recovery Act | 84.386A | 12-4861-00 | \$ 7,302 |
| U.S. Department of Education passed through Northern Suburban Special Education District: Special Education Grants to States Federal Special Education - IDEA Flow-Through | 84.027A | 12-4630-01 | 98,849 |
| U.S. Department of Education passed through Will County Regional Office of Education No. 56: Title I Grants to Local Educational Agencies (M)Title I - School Improvement & Accountability | 84.010A | 12-4331-SS | 796,961 |
| Education for Homeless Children and Youth McKinney Education for Homeless Children | 84.196A | 12-4920-00 | <u>49,093</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ <u>952,205</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 THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 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 preparation of the basic financial statements.

NOTE 2 - SUBRECIPIENTS

N/A

NOTE 3 - DESCRIPTION OF MAJOR FEDERAL PROGRAM

The following federal program was audited as a major program in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Title I Grants to Local Educational Agencies - Accounts for the grant 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.

NOTE 4 - NON-CASH ASSISTANCE

N/A

NOTE 5 - AMOUNT OF INSURANCE

N/A

NOTE 6 - LOANS OR LOAN GUARANTEES OUTSTANDING

N/A

This information is an integral part of the accompanying schedule.