

**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, 2013**

**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
(Current and during the audit period)

Ms. Patricia Dal Santo

Assistant Regional Superintendent
(Current and during the audit period 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 controls do not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	2	2
Repeated audit findings	1	2
Prior recommendations implemented or not repeated	1	0

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
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FINDINGS (GOVERNMENT AUDITING STANDARDS)

2013-001	13-14	Controls Over Financial Statement Preparation	Material Weakness
2013-002	15-16	Lack of Formal Policies and Controls Over Procurement Cards	Significant Deficiency

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

None

PRIOR AUDIT FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

12-2	20	Inaccurate Expenditure Reports	Material Weakness and Noncompliance
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PRIOR AUDIT FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

12-2	20	Inaccurate Expenditure Reports	Significant Deficiency and Noncompliance
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**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

COMPLIANCE REPORT SUMMARY (CONTINUED)

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference on March 20, 2014. Attending were Patricia Dal Santo, Regional Superintendent, Meg Fetzer, Finance Director and Kristyl McDaniel, Auditor, Winkel, Parker & Foster, CPA PC. Responses to the recommendations were provided by Patricia Dal Santo, Regional Superintendent and Meg Fetzer, Finance Director.

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

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of Kane County Regional Office of Education No. 31 was performed by Winkel, Parker & Foster, CPA PC.

Based on their audit, the auditors expressed an unmodified 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

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kane County Regional Office of Education No. 31, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Kane County Regional Office of Education No. 31's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kane County Regional Office of Education No. 31, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 22 through 31 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kane County Regional Office of Education No. 31's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities and the Schedule of Expenditures of Federal Awards, as required by 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 basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kane County Regional Office of Education No. 31's internal control over financial reporting and compliance.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
March 20, 2014



**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, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kane County Regional Office of Education No. 31, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Kane County Regional Office of Education No. 31's basic financial statements, and have issued our report thereon dated March 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kane County Regional Office of Education No. 31's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kane County Regional Office of Education No. 31's internal control. Accordingly, we do not express an opinion on the effectiveness of Kane County Regional Office of Education No. 31's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Regional Office of Education No. 31's Responses to Findings

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. Kane County Regional Office of Education No. 31's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kane County Regional Office of Education No. 31's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kane County Regional Office of Education No. 31's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
March 20, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable William G. Holland
Auditor General
State of Illinois

Report on Compliance for Each Major Federal Program

We have audited 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 Regional Office of Education No. 31's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kane County Regional Office of Education No. 31's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Kane County Regional Office of Education No. 31's compliance.

Opinion on Each Major Federal Program

In our opinion, Kane County Regional Office of Education No. 31 complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of Kane County Regional Office of Education No. 31 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kane County Regional Office of Education No. 31's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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. *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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
March 20, 2014

**KANE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 31
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 SECTION I - SUMMARY OF AUDITORS' RESULTS
 Year Ended June 30, 2013**

Financial Statements

Type of auditor's report issued: _____ Unmodified _____

Internal control over financial reporting:

Material weakness(es) identified? x yes no
 Significant deficiency(ies) identified? x yes none reported

Noncompliance material to financial statements noted? yes x _____

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? yes x none reported

Type of auditors' report issued on compliance for major programs:
 _____ Unmodified _____

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? yes x 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
SECTION II - FINANCIAL STATEMENT FINDINGS
Year Ended June 30, 2013**

FINDING 2013-001 - Controls Over Financial Statement Preparation (Repeat of findings 12-1, 11-1 and 10-1)

Criteria/Specific Requirement:

Kane County 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 of Education No. 31's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the Statement requires information about the government's major and nonmajor funds in the aggregate, to be provided in the fund financial statements.

Condition:

The Regional Office of Education No. 31 does not have sufficient internal controls over the financial reporting process. While the Regional Office of Education No. 31 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.

During review of the Regional Office of Education No. 31's financial information prepared by the Regional Office of Education No. 31, it was noted that the Regional Office did not have adequate controls over the maintenance of records of cash, accounts receivable, accounts payable, and deferred revenue. While the Regional Office did maintain records to indicate the balances of cash, accounts receivable, accounts payable, and deferred revenue, material audit adjustments were proposed in order to ensure financial statement balances were materially accurate.

Effect:

The Regional Office of Education No. 31's management or its 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.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS
Year Ended June 30, 2013**

FINDING 2013-001 - Controls Over Financial Statement Preparation (Repeat of findings 12-1, 11-1 and 10-1)(Continued)

Cause:

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

Auditors' 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. These procedures should be performed by a properly trained individual possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education No. 31's activities and operations.

Management's Response:

The Business Office will provide to the Superintendent and Cabinet members regular and timely financial reports. These reports include but are not limited to grant reporting, bank reconciliations, monthly financial reporting, expense comparisons, and any other report needed for discussion of the Regional Office's financial well-being.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS
Year Ended June 30, 2013**

FINDING 2013-002 - Lack of Formal Policies and Controls Over Procurement Cards

Criteria/Specific Requirement:

The Regional Office of Education No. 31 implemented the use of procurement cards during fiscal year 2013. The procurement cards operate like a credit card; however, they do not carry a revolving line of credit and must be paid in full each month. Additionally, the use of procurement cards allows the Regional Office of Education No. 31 to customize purchase authority and spending levels. Adequate internal controls should ensure that expenses incurred by the Regional Office of Education No. 31 are adequately documented, approved by management, incurred for a business purpose and represent economical and effective use of Regional Office of Education No. 31's resources.

Condition:

The Regional Office of Education No. 31 does not have a formal policy regarding the use of procurement cards. The Regional Office of Education No. 31 does not have adequate controls in place over procurement card purchases. Auditors noted the following when testing procurement card purchases:

- 2 of 15 transactions tested did not have a detailed receipt for employee food purchases. A receipt was included; however, it did not detail the items purchased. One of these purchases also exceeded the allowable amount established by the Regional Office of Education No. 31.
- Management's review and approval of the expenses on the monthly procurement card statements was not formally documented for all months the cards were in use.
- 4 of 15 transactions tested did not have a business purpose documented.

Effect:

Lack of formal policies and adequate internal controls over procurement card purchases increase the susceptibility of the Regional Office of Education No. 31 paying unallowable expenses, expenses for which business purpose is not documented, or expenses in excess of allowable amounts.

Cause:

The procurement cards were newly implemented at the Regional Office of Education No. 31 during the fiscal year. The Regional Office of Education had not yet established a formal policy or internal controls over the use of the procurement cards during the fiscal year.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS
Year Ended June 30, 2013**

FINDING 2013-002 - Lack of Formal Policies and Controls Over Procurement Cards
(Continued)

Auditors' Recommendation:

The Regional Office of Education No. 31 should establish a formal policy regarding the use of procurement cards, including requiring that each transaction has adequate documentation, management approval, and indication of the business purpose.

Management's Response:

The Business Office has established formal policies and procedures regarding the use of procurement cards. Additionally, each procurement card monthly statement is reviewed and signed off by the Superintendent. During the 2013 fiscal year the purchasing card program was newly implemented and policy and procedures had not been formalized. Informal review and approval were occurring and formal policy and procedures were signed shortly after the fiscal year end.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III - FEDERAL AWARD FINDINGS
Year Ended June 30, 2013**

Instances of Noncompliance:

None

Material Weaknesses:

None

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2013**

FINDING 2013-001 - Controls Over Financial Statement Preparation (Repeat of findings 12-1, 11-1 and 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 of Education No. 31 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.

During review of the Regional Office of Education No. 31's financial information prepared by the Regional Office of Education No. 31, it was noted that the Regional Office did not have adequate controls over the maintenance of records of cash, accounts receivable, accounts payable, and deferred revenue. While the Regional Office did maintain records to indicate the balances of cash, accounts receivable, accounts payable, and deferred revenue, material audit adjustments were proposed in order to ensure financial statement balances were materially accurate.

Plan:

Effective with the fiscal year 2014 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:

On-going throughout the year.

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, 2013**

FINDING 2013-002 - Lack of Formal Policies and Controls Over Procurement Cards

Condition:

The Regional Office of Education No. 31 does not have a formal policy regarding the use of procurement cards. The Regional Office of Education No. 31 does not have adequate controls in place over procurement card purchases. Auditors noted the following when testing procurement card purchases:

- 2 of 15 transactions tested did not have a detailed receipt for employee food purchases. A receipt was included; however, it did not detail the items purchased. One of these purchases also exceeded the allowable amount established by the Regional Office of Education No. 31.
- Management's review and approval of the expenses on the monthly procurement card statements was not formally documented for all months the cards were in use.
- 4 of 15 transactions tested did not have a business purpose documented.

Plan:

The Business Office has established formal policies and procedures regarding the use of procurement cards. Additionally, each procurement card monthly statement is reviewed and signed off by the Superintendent. During the 2013 fiscal year the purchasing card program was newly implemented and policy and procedures had not been formalized. Informal review and approval were occurring and formal policy and procedures were signed shortly after the fiscal year end.

Anticipated Completion Date:

October 31, 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
Year Ended June 30, 2013**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
12-1	Controls Over Financial Statement Preparation	Repeated
12-2	Inaccurate Expenditure Reports	Not Repeated

Management's Discussion and Analysis

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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, 2013 with comparative information for the year ended June 30, 2012. 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 121,756 public school students and 12,406 private/parochial students. Our region includes nine (K-12) unit districts, two community college districts, 212 public school buildings, and over 9,000 public/private school teachers.

2013 Financial Highlights

- General Fund revenues decreased from \$2,214,989 in fiscal year 2012 to \$2,062,630 in fiscal year 2013, while General Fund expenditures increased from \$1,349,195 in fiscal year 2012 to \$1,382,215 in fiscal year 2013. The reason for the change is primarily due to reallocation of services provided due to loss of funding opportunities available.
- Education Fund revenues decreased from \$1,895,073 in fiscal year 2012 to \$1,535,899 in fiscal year 2013. Expenditures also decreased from \$1,904,747 in fiscal year 2012 to \$1,491,746 in fiscal year 2013. The decrease in revenues and expenditures in the Education Fund is due to decreased funding, which also reduces the program expenditures. 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.

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- Institute Fund revenues decreased from \$191,803 in fiscal year 2012 to \$161,702 in fiscal year 2013. Expenditures in the Institute Fund also decreased from \$63,618 in fiscal year 2012 to \$62,133 in fiscal year 2013. These decreases were primarily due to the change in certification requirements for professional teachers, administrators and paraprofessionals in Kane County from a previous year and are now returning to normal.
- Enterprise Fund revenues decreased from \$399,712 in fiscal year 2012 to \$320,325 in fiscal year 2013. Enterprise Fund expenses also decreased from \$411,059 in fiscal year 2012 to \$404,896 in fiscal year 2013. These decreases were primarily due to changes made toward closing underutilized funds and the loss of professional development funding opportunities.
- Government-wide revenues decreased by approximately 9% from \$4,705,222 in fiscal year 2012 to \$4,279,758 in fiscal year 2013. Government-wide expenses decreased by approximately 7% from \$3,836,905 in fiscal year 2012 to \$3,568,168 in fiscal year 2013.

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 Position 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.

Other Supplementary 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, 2013**

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 Position 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 position and how they have changed. Net position - 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 position 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 Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows.

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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 Position.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve when examined over time as one indicator of the financial position of the Regional Office. The net position at the end of fiscal year 2013 and 2012 totaled \$6,792,061 and \$6,080,471, respectively. The analysis that follows provides a summary of the Regional Office's net position as of June 30.

<u>2013</u>	Governmental Activities	Business- Type Activities	Total
Current assets	\$ 7,083,973	\$ 345,169	\$ 7,429,142
Capital assets, net of depreciation	<u>18,837</u>	<u>63,718</u>	<u>82,555</u>
Total assets	<u>7,102,810</u>	<u>408,887</u>	<u>7,511,697</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Current liabilities	185,402	137,847	323,249
Non-current liabilities	<u>373,801</u>	<u>22,586</u>	<u>396,387</u>
Total liabilities	<u>559,203</u>	<u>160,433</u>	<u>719,636</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Net position			
Net investment in capital assets	14,708	32,125	46,833
Unrestricted	5,200,204	216,329	5,416,533
Restricted for educational purposes	<u>1,328,695</u>	<u>-</u>	<u>1,328,695</u>
Total net position	<u>\$ 6,543,607</u>	<u>\$ 248,454</u>	<u>\$ 6,792,061</u>

**KANE COUNTY
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June 30, 2013**

2012

	Governmental Activities	Business- Type Activities	Total
Current assets	\$ 6,551,260	\$ 365,744	\$ 6,917,004
Capital assets, net of 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>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</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>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Net position			
Net investment in capital assets	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 position	<u>\$ 5,730,467</u>	<u>\$ 350,004</u>	<u>\$ 6,080,471</u>

The Regional Office's net position increased by \$711,590 (12%) from fiscal year 2012. The increase was primarily due to anticipation of reduced grant revenues for 2013 which necessitated a reduction in associated expenses. The Regional Office availed itself of any opportunity to reduce expenses across the organization. Additionally, the Regional Office saw a slight increase in Youth Home program revenue.

**KANE COUNTY
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June 30, 2013**

Changes in net position. The following shows the changes in net position for the years ended June 30, 2013 and 2012.

2013

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues			
Charges for services	\$ 260,181	\$ 319,800	\$ 579,981
Operating grants and contributions	1,508,388	-	1,508,388
General revenues			
Local sources	44,107	525	44,632
State sources	1,487,494	-	1,487,494
On-behalf payments	<u>659,263</u>	<u>-</u>	<u>659,263</u>
Total revenues	<u>3,959,433</u>	<u>320,325</u>	<u>4,279,758</u>
Expenses:			
Education			
Salaries and benefits	1,708,627	-	1,708,627
Purchased services	494,372	344,286	838,658
Supplies and materials	51,755	25,337	77,092
Payments to other governments	220,796	175	220,971
Other objects	9,536	6,920	16,456
Capital outlay	6,430	8,782	15,212
Depreciation and disposition losses	12,493	19,396	31,889
Administrative			
On-behalf payments	<u>659,263</u>	<u>-</u>	<u>659,263</u>
Total expenses	<u>3,163,272</u>	<u>404,896</u>	<u>3,568,168</u>
Excess (deficiency) of revenues over (under) expenses before transfers	796,161	(84,571)	711,590
Transfers	<u>16,979</u>	<u>(16,979)</u>	<u>-</u>
Change in net position	813,140	(101,550)	711,590
Net position, beginning	<u>5,730,467</u>	<u>350,004</u>	<u>6,080,471</u>
Net position, ending	<u>\$ 6,543,607</u>	<u>\$ 248,454</u>	<u>\$ 6,792,061</u>

**KANE COUNTY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

<u>2012</u>	<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 position	879,664	(11,347)	868,317
Net position, beginning	<u>4,850,803</u>	<u>361,351</u>	<u>5,212,154</u>
Net position, 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, 2013**

Governmental Activities

Revenues for governmental activities were \$3,959,433 and \$4,305,510 and expenses were \$3,163,272 and \$3,425,846 for 2013 and 2012, respectively. The decrease in program revenues and expenses was mainly due to decreased funding levels.

Business-Type Activities

Revenues for business-type activities were \$320,325 and \$399,712 and expenses were \$404,896 and \$411,059 for 2013 and 2012, respectively. The decrease in revenues and expenses was primarily due to changes made toward closing underutilized funds and the loss of professional development funding opportunities.

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 \$6,358,847, above last year's ending fund balances of \$5,498,789.

Governmental Fund Highlights

The General Fund fund balance increased from \$4,415,403 in 2012 to \$5,112,797 in 2013. The increase in fund balance was mostly attributable to transfers in from other funds.

The Institute Fund fund balance increased from \$751,296 in 2012 to \$850,865 in 2013. The increase in fund balance was mostly attributable to better management of expenses in response to lower revenue stream.

The Education Fund fund balance increased from \$220,436 in 2012 to \$264,589 in 2013. The increase in fund balance was mostly attributable to better management of expenses in response to lower revenue stream. 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.

Proprietary Fund Highlights

ESC Professional Development Local 2 net position decreased from \$45,836 in 2012 to \$(15,787) in 2013. The primary reason for the decrease is attributable to a reduction in related revenue stream which prohibited offering additional professional development to generate funds.

Technology net position decreased from \$(2,575) in 2012 to \$(41,415) in 2013. The primary reason for the decrease is attributable to reduction in revenue stream. This fund is scheduled to be closed.

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June 30, 2013**

Kane County Library Resources Consortium net position decreased from \$21,888 in 2012 to \$12,611 in 2013. The primary reason for the decrease is attributable to flow through funds not adequately matching up enough for full expense coverage.

Fiduciary Fund Highlights

Fiduciary funds remained fairly consistent when compared to the prior year. Total assets and liabilities increased from \$28,485 in fiscal year 2012 to \$148,347 in fiscal year 2013. Transactions during fiscal year 2013 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 AND LONG-TERM DEBT

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 2013, total additions and retirements amounted to \$20,716 and \$270,200, respectively. Depreciation expense for fiscal year 2013 was \$31,889. Additional information on Kane County Regional Office of Education No. 31's capital assets can be found in Note 3 on page 55 of this report.

The Regional Office has entered into lease agreements as lessee for financing the acquisition of copiers. The present value of minimum lease payments at June 30, 2012 was \$41,851, which was reduced during fiscal year 2013 by \$6,129, resulting in a balance of \$35,722 at June 30, 2013. Additional information on Kane County Regional Office of Education No. 31's capital leases can be found in Note 4 on pages 55-56 of this report.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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

The state aid foundation for fiscal 2013 decreased from prior year and is expected to see yet another decrease for fiscal 2014.

State fiscal year 2013 grant payments continue to be delayed with no real expected improvement for fiscal year 2014.

The Regional Office is expecting reduced grant revenues for federal grants for fiscal year 2014.

County Board support is expected to remain at the current level for fiscal year 2014 and may see a decline in future years.

The Regional Office may be forced to vacate County owned offices and incur move related expenses in excess of County provided support.

While the Regional Office is in search of additional revenue sources, it is also committed to providing as much support as it can to the districts it serves in order to take them to next step in educational excellence.

The Youth Home licensing costs will increase due to implementation of online curriculum evaluation and learning tools. Software support costs will be ongoing for the HLS inspection program to be rolled out in fiscal year 2014.

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 2013 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 POSITION
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,466,742	\$ 397,373	\$ 5,864,115
Investments	859,007	-	859,007
Accounts receivable	8,716	1,023	9,739
Due from other governments	696,221	-	696,221
Prepaid expenses	60	-	60
Due from (to) other funds	53,227	(53,227)	-
Total current assets	<u>7,083,973</u>	<u>345,169</u>	<u>7,429,142</u>
Non-current assets:			
Capital assets, net of depreciation	<u>18,837</u>	<u>63,718</u>	<u>82,555</u>
Total assets	<u>7,102,810</u>	<u>408,887</u>	<u>7,511,697</u>
DEFERRED OUTFLOWS OF RESOURCES			
None	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	170,410	15,743	186,153
Due to other governments	13,214	46,244	59,458
Deferred revenue	-	66,853	66,853
Leases payable	1,778	9,007	10,785
Total current liabilities	<u>185,402</u>	<u>137,847</u>	<u>323,249</u>
Non-current liabilities:			
Leases payable	2,351	22,586	24,937
Accrued compensated absences	45,866	-	45,866
Other postemployment benefits	325,584	-	325,584
Total non-current liabilities	<u>373,801</u>	<u>22,586</u>	<u>396,387</u>
Total liabilities	<u>559,203</u>	<u>160,433</u>	<u>719,636</u>
DEFERRED INFLOWS OF RESOURCES			
None	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	14,708	32,125	46,833
Unrestricted	5,200,204	216,329	5,416,533
Restricted for educational purposes	<u>1,328,695</u>	<u>-</u>	<u>1,328,695</u>
Total net position	<u>\$ 6,543,607</u>	<u>\$ 248,454</u>	<u>\$ 6,792,061</u>

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, 2013

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary government:						
Governmental activities:						
Education:						
Salaries and benefits	\$ 1,708,627	\$ 75,452	\$ 935,201	\$ (697,974)	\$ -	\$ (697,974)
Purchased services	494,372	145,701	316,761	(31,910)	-	(31,910)
Supplies and materials	51,755	33,824	30,168	12,237	-	12,237
Payments to other governments	220,796	-	226,258	5,462	-	5,462
Other objects	9,536	5,204	-	(4,332)	-	(4,332)
Capital outlay	6,430	-	-	(6,430)	-	(6,430)
Depreciation and disposition losses	12,493	-	-	(12,493)	-	(12,493)
Administrative:						
On-behalf payments	659,263	-	-	(659,263)	-	(659,263)
Total governmental activities	3,163,272	260,181	1,508,388	(1,394,703)	-	(1,394,703)
Business-type activities:						
Professional development	404,896	319,800	-	-	(85,096)	(85,096)
Total primary government	\$ 3,568,168	\$ 579,981	\$ 1,508,388	(1,394,703)	(85,096)	(1,479,799)
General revenues:						
Local sources				44,107	525	44,632
State sources				1,487,494	-	1,487,494
On-behalf payments				659,263	-	659,263
Transfers				16,979	(16,979)	-
Total general revenues and transfers				2,207,843	(16,454)	2,191,389
CHANGES IN NET POSITION				813,140	(101,550)	711,590
NET POSITION, BEGINNING OF YEAR				5,730,467	350,004	6,080,471
NET POSITION, END OF YEAR				\$ 6,543,607	\$ 248,454	\$ 6,792,061

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, 2013

	Special Revenue				Total Governmental Funds
	General Fund	Institute Fund	Education Fund	Other Nonmajor Funds	
ASSETS					
Cash and cash equivalents	\$ 4,179,761	\$ 853,815	\$ 296,608	\$ 136,558	\$ 5,466,742
Investments	859,007	-	-	-	859,007
Accounts receivable	1,735	-	-	6,981	8,716
Due from other governments	458,797	-	237,424	-	696,221
Prepaid expenses	-	-	60	-	60
Due from other funds	116,693	-	-	-	116,693
Total assets	<u>5,615,993</u>	<u>853,815</u>	<u>534,092</u>	<u>143,539</u>	<u>7,147,439</u>
DEFERRED OUTFLOWS OF RESOURCES					
None	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,615,993</u>	<u>\$ 853,815</u>	<u>\$ 534,092</u>	<u>\$ 143,539</u>	<u>\$ 7,147,439</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 44,253	\$ -	\$ 121,885	\$ 4,272	\$ 170,410
Due to other governments	146	2,950	6,278	3,840	13,214
Due to other funds	-	-	63,466	-	63,466
Deferred revenue	458,797	-	77,874	4,831	541,502
Total liabilities	<u>503,196</u>	<u>2,950</u>	<u>269,503</u>	<u>12,943</u>	<u>788,592</u>
DEFERRED INFLOWS OF RESOURCES					
None	-	-	-	-	-
FUND BALANCE					
Nonspendable	-	-	60	-	60
Restricted	-	850,865	300,030	130,596	1,281,491
Assigned	1,010,801	-	-	-	1,010,801
Unassigned	4,101,996	-	(35,501)	-	4,066,495
Total fund balance	<u>5,112,797</u>	<u>850,865</u>	<u>264,589</u>	<u>130,596</u>	<u>6,358,847</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 5,615,993</u>	<u>\$ 853,815</u>	<u>\$ 534,092</u>	<u>\$ 143,539</u>	<u>\$ 7,147,439</u>

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 POSITION
June 30, 2013**

Total fund balance of governmental funds (page 35)	\$ 6,358,847
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,837
Capital lease obligations are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(4,129)
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.	541,502
Compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(45,866)
Other postemployment benefits reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the governmental funds.	<u>(325,584)</u>
Net position of governmental activities (page 33)	<u>\$ 6,543,607</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, 2013

	<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	\$ 44,107	\$ 161,702	\$ 4,295	\$ 93,648	\$ 303,752
State sources	1,359,260	-	748,918	2,655	2,110,833
Federal sources	-	-	782,686	-	782,686
On-behalf payments	659,263	-	-	-	659,263
Total revenues	<u>2,062,630</u>	<u>161,702</u>	<u>1,535,899</u>	<u>96,303</u>	<u>3,856,534</u>
EXPENDITURES:					
Education:					
Salaries and benefits	589,536	-	933,046	39,019	1,561,601
Purchased services	107,047	56,097	310,997	20,231	494,372
Supplies and materials	4,552	3,854	26,907	16,442	51,755
Payments to other governments	-	-	220,796	-	220,796
Other objects	5,685	2,182	-	1,669	9,536
On-behalf payments	659,263	-	-	-	659,263
Capital outlay	16,132	-	-	-	16,132
Total expenditures	<u>1,382,215</u>	<u>62,133</u>	<u>1,491,746</u>	<u>77,361</u>	<u>3,013,455</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>680,415</u>	<u>99,569</u>	<u>44,153</u>	<u>18,942</u>	<u>843,079</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	416,979	-	-	-	416,979
Transfers out	(400,000)	-	-	-	(400,000)
Total other financing sources (uses)	<u>16,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,979</u>
NET CHANGE IN FUND BALANCE	697,394	99,569	44,153	18,942	860,058
FUND BALANCE, BEGINNING OF YEAR	<u>4,415,403</u>	<u>751,296</u>	<u>220,436</u>	<u>111,654</u>	<u>5,498,789</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,112,797</u>	<u>\$ 850,865</u>	<u>\$ 264,589</u>	<u>\$ 130,596</u>	<u>\$ 6,358,847</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, 2013

Net change in fund balance (page 37) **\$ 860,058**

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	\$ 9,446	
Depreciation and disposition losses	<u>(12,493)</u>	(3,047)

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 Position.

256

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.

102,899

Some expenses in the Statement of Activities do
not require the use of current financial resources,
and therefore, are not reported in the
governmental funds. These activities consist of:

Compensated absences		(45,866)
Increase in OPEB expense		<u>(101,160)</u>

Change in net position of governmental activities (page 34) **\$ 813,140**

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Business-Type Activities Enterprise Funds				Total
	ESC Professional Development Local 2	Technology	Kane County Library Resources Consortium	Nonmajor Funds	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ -	\$ 58,280	\$ 339,093	\$ 397,373
Accounts receivable	813	-	-	210	1,023
Due from other funds	31,789	-	-	-	31,789
Total current assets	<u>32,602</u>	<u>-</u>	<u>58,280</u>	<u>339,303</u>	<u>430,185</u>
Non-current assets:					
Capital assets, net of depreciation	35,693	10,283	12,659	5,083	63,718
Total assets	<u>68,295</u>	<u>10,283</u>	<u>70,939</u>	<u>344,386</u>	<u>493,903</u>
DEFERRED OUTFLOWS OF RESOURCES					
None	-	-	-	-	-
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	10,188	18	-	5,537	15,743
Due to other governments	440	-	-	45,804	46,244
Due to other funds	33,336	51,680	-	-	85,016
Deferred revenue	8,525	-	58,328	-	66,853
Leases payable	9,007	-	-	-	9,007
Total current liabilities	<u>61,496</u>	<u>51,698</u>	<u>58,328</u>	<u>51,341</u>	<u>222,863</u>
Non-current liabilities:					
Leases payable	22,586	-	-	-	22,586
Total liabilities	<u>84,082</u>	<u>51,698</u>	<u>58,328</u>	<u>51,341</u>	<u>245,449</u>
DEFERRED INFLOWS OF RESOURCES					
None	-	-	-	-	-
NET POSITION					
Net investment in capital assets	4,100	10,283	12,659	5,083	32,125
Unrestricted	(19,887)	(51,698)	(48)	287,962	216,329
TOTAL NET POSITION	<u>\$ (15,787)</u>	<u>\$ (41,415)</u>	<u>\$ 12,611</u>	<u>\$ 293,045</u>	<u>\$ 248,454</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 POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Business-Type Activities Enterprise Funds				<u>Total</u>
	ESC Professional Development <u>Local 2</u>	<u>Technology</u>	Kane County Library Resources <u>Consortium</u>	Nonmajor <u>Funds</u>	
OPERATING REVENUES:					
Charges for services	\$ 36,181	\$ 30	\$ 66,174	\$ 217,415	\$ 319,800
OPERATING EXPENSES:					
Purchased services	64,827	18,363	71,017	190,079	344,286
Supplies and materials	17,694	6,294	49	1,300	25,337
Payment to other governments	175	-	-	-	175
Other objects	6,134	-	-	786	6,920
Capital outlay	1,800	6,982	-	-	8,782
Depreciation	7,252	7,231	4,391	522	19,396
Total operating expenses	<u>97,882</u>	<u>38,870</u>	<u>75,457</u>	<u>192,687</u>	<u>404,896</u>
OPERATING INCOME (LOSS)	(61,701)	(38,840)	(9,283)	24,728	(85,096)
NONOPERATING REVENUES					
Interest revenue	<u>78</u>	<u>-</u>	<u>6</u>	<u>441</u>	<u>525</u>
INCOME (LOSS) BEFORE TRANSFERS	(61,623)	(38,840)	(9,277)	25,169	(84,571)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,979)</u>	<u>(16,979)</u>
CHANGE IN NET POSITION	(61,623)	(38,840)	(9,277)	8,190	(101,550)
NET POSITION, BEGINNING OF YEAR	<u>45,836</u>	<u>(2,575)</u>	<u>21,888</u>	<u>284,855</u>	<u>350,004</u>
NET POSITION, END OF YEAR	<u>\$ (15,787)</u>	<u>\$ (41,415)</u>	<u>\$ 12,611</u>	<u>\$ 293,045</u>	<u>\$ 248,454</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, 2013

	Business-Type Activities Enterprise Funds				
	ESC Professional Development Local 2	Technology	Kane County Library Resources Consortium	Nonmajor Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts for workshops and services	\$ 45,408	\$ 30	\$ 124,502	\$ 221,160	\$ 391,100
Payments to suppliers and providers of goods and services	(83,753)	(37,977)	(71,066)	(180,835)	(373,631)
Net cash provided by (used in) operating activities	(38,345)	(37,947)	53,436	40,325	17,469
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Interfund loans	34,936	39,215	-	-	74,151
Transfers from (to) other funds	-	-	-	(16,979)	(16,979)
Net cash provided by (used in) noncapital financing activities	34,936	39,215	-	(16,979)	57,172
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Purchase of capital assets	(1,993)	(1,268)	(3,370)	(4,639)	(11,270)
Principal paid on capital lease obligations	(5,873)	-	-	-	(5,873)
Net cash used in capital financing activities	(7,866)	(1,268)	(3,370)	(4,639)	(17,143)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest	78	-	6	441	525
Net cash provided by investing activities	78	-	6	441	525
NET CHANGE IN CASH AND CASH EQUIVALENTS	(11,197)	-	50,072	19,148	58,023
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,197	-	8,208	319,945	339,350
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ -	\$ 58,280	\$ 339,093	\$ 397,373
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (61,701)	\$ (38,840)	\$ (9,283)	\$ 24,728	\$ (85,096)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	7,252	7,231	4,391	522	19,396
Effects of changes in assets and liabilities:					
Accounts receivable	702	-	-	3,745	4,447
Accounts payable and accrued expenses	7,697	(6,338)	-	897	2,256
Due to other governments	(820)	-	-	10,433	9,613
Deferred revenue	8,525	-	58,328	-	66,853
Net cash provided by (used in) operating activities	\$ (38,345)	\$ (37,947)	\$ 53,436	\$ 40,325	\$ 17,469

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>148,347</u>
LIABILITIES	
Due to other governments	\$ <u>148,347</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, 2013**

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.

For financial reporting purposes, Kane County Regional Office of Education No. 31 has included all funds, organizations, agencies, boards, commissions and authorities. The Regional Office has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Regional Office are such that exclusion would cause the Regional Office's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Regional Office to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Regional Office.

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 Position 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, 2013**

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, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Kane County Regional Office of Education No. 31's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 and 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, 2013**

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.

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, 2013**

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, 2013**

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, 2013**

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 Position 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, 2013**

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 position that are not available to be spent, either short term or long term, in either form or through legal restrictions. Technology for Success has a nonspendable fund balance.

Restricted Fund Balance - The portion of a Governmental Fund's net position 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, Title I - Reading First, and Building State Capacity. 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 position with self-imposed constraints or limitations that have been placed at the highest level of decision making. There are no accounts presenting a committed fund balance.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned Fund Balance - The portion of a Governmental Fund's net position to denote an intended use of resources. The following accounts comprise assigned fund balance: Youth Home Education, Local Truancy, and Operation Snowball. 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 Position

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

Net investment in capital assets - Consists of capital assets, net of accumulated depreciation.

Restricted net position - Consists of net position 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 position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Budgets and Budgetary Accounting

Kane County Regional Office of Education No. 31 did not formally adopt a budget for the year ended June 30, 2013 and is not legally required to do so; subsequently, the accompanying financial statements are not presented on a budgetary basis whereby budget and actual revenues and expenditures are compared; however, the Illinois State Board of Education requires budgets for certain State and Federal programs. These budgets were used to prepare the Budgetary Comparison Schedules for the following programs: Technology for Success, Regional Safe Schools, Truants' Alternative and Optional Education Program (TAOEP), Title II - Teacher Quality - Leadership and ROE/ISC Operations.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 March 20, 2014, 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 \$6,012,462 at June 30, 2013, while the bank balance was \$6,266,234. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2013. Of the total bank balances as of June 30, 2013, \$625,000 was secured by federal depository insurance, and \$5,641,234 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.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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

As of June 30, 2013, the Kane County Regional Office of Education No. 31 had cash equivalents with carrying and fair value of \$358,727 invested in the Illinois Funds Money Market.

Credit Risk

At June 30, 2013, 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, 2013 were as follows:

Certificate of deposit	\$ 351,687
Certificate of deposit	<u>507,320</u>
Total investments	<u>\$ 859,007</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2013 is as follows:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Governmental Funds:				
Furniture and equipment	\$ 629,688	\$ 9,446	\$ (231,367)	\$ 407,767
Less: accumulated depreciation	<u>(607,804)</u>	<u>(12,493)</u>	<u>231,367</u>	<u>(388,930)</u>
Capital assets, net	<u>\$ 21,884</u>	<u>\$ (3,047)</u>	<u>\$ -</u>	<u>\$ 18,837</u>
Proprietary Funds:				
Furniture and equipment	\$ 172,980	\$ 11,270	\$ (38,833)	\$ 145,417
Less: accumulated depreciation	<u>(101,136)</u>	<u>(19,396)</u>	<u>38,833</u>	<u>(81,699)</u>
Capital assets, net	<u>\$ 71,844</u>	<u>\$ (8,126)</u>	<u>\$ -</u>	<u>\$ 63,718</u>

Depreciation expense was charged as follows:

Governmental Funds:	
Depreciation expense	\$ 12,493
Proprietary Funds:	
Depreciation expense	<u>19,396</u>
Total depreciation expense	<u>\$ 31,889</u>

NOTE 4 - CAPITAL LEASE AND LONG-TERM LIABILITIES

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, 2013 were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 14,464
2015	14,464
2016	12,661
2017	<u>1,025</u>
Total minimum lease payments	42,614
Less: amount representing interest	<u>6,892</u>
Present value of minimum lease payments	<u>\$ 35,722</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 4 - CAPITAL LEASE AND LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the year ended June 30, 2013, is as follows:

<u>Capital Leases</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	Amounts Due within One Year
Governmental Funds	\$ 4,385	\$ -	\$ 256	\$ 4,129	\$ 1,778
Proprietary Funds	<u>37,466</u>	<u>-</u>	<u>5,873</u>	<u>31,593</u>	<u>9,007</u>
Total	<u>\$ 41,851</u>	<u>\$ -</u>	<u>\$ 6,129</u>	<u>\$ 35,722</u>	<u>\$ 10,785</u>

NOTE 5 - COMPENSATED ABSENCES

Kane County Regional Office of Education No. 31 provides vacation time to all employees except seasonal employees. Vacation time is calculated from the first month in which the date of hire occurred. After one year of continuous service, employees are entitled to vacation pay based upon the years of service. Upon termination employees receive pay for unused vacation earned from the previous working year. In addition, employees will receive pay for any accrued vacation earned as of the date of termination. Kane County Regional Office of Education No. 31 records a liability associated with compensated absences. At June 30, 2013, the balance in this account was \$45,866.

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Governmental Funds:	<u>\$ 38,976</u>	<u>\$ 44,840</u>	<u>\$ 37,950</u>	<u>\$ 45,866</u>

NOTE 6 - SALARIES AND PENSION PLAN CONTRIBUTIONS

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

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

NOTE 7 - RETIREMENT FUND COMMITMENTS

Teachers' Retirement System of the State of Illinois

The 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.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 7 - RETIREMENT FUND COMMITMENTS (CONTINUED)

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, 2013, was 9.4 percent of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after January 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, 2012 and 2011.

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 to TRS.** The state of Illinois makes employer pension contributions on behalf of the Regional Office of Education No. 31. For the year ended June 30, 2013, state of Illinois contributions were based on 28.05 percent of creditable earnings not paid from federal funds, and the Regional Office of Education No. 31 recognized revenue and expenditures of \$79,743 in pension contributions that the state of Illinois paid directly to TRS. For the years ended June 30, 2012 and June 30, 2011, the state of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 24.91 percent (\$87,021) and 23.10 percent (\$84,943), 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, 2013 were \$533. Contributions for the years ending June 30, 2012 and June 30, 2011, were \$974 and \$1,022, 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.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 7 - RETIREMENT FUND COMMITMENTS (CONTINUED)

For the year ended June 30, 2013, the employer pension contribution was 28.05 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2012 and 2011, the employer contribution was 24.91 and 23.10 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2013, salaries totaling \$0 were paid from federal and special trust funds that required employer contributions of \$0. For the years ended June 30, 2012 and June 30, 2011, required employer contributions were \$697 and \$528, 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 under the current program is 117.5 percent and applies when the member is age 55 at retirement.

For the years ended June 30, 2013, June 30, 2012 and June 30, 2011, the Regional Office of Education No. 31 paid no employer contributions under the ERO program.

- **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, 2013, the Regional Office of Education No. 31 paid \$0 to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2012, and June 30, 2011, the Regional Office of Education No. 31 paid \$133 and \$0 to TRS for employer contributions due on salary increases in excess of 6 percent, respectively.

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 (17.63 percent of salary during the year ended June 30, 2013).

For the years ended June 30, 2013, June 30, 2012, and June 30, 2011, 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.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 7 - RETIREMENT FUND COMMITMENTS (CONTINUED)

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, 2012. The report for the year ended June 30, 2013, is expected to be available in late 2013.

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>.

NOTE 8 - 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, 2012 actuarial valuation and is for the 12 month period from January 1, 2012 through December 31, 2012. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately \$15,701,965 for Kane County as of December 31, 2012. 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 \$325,584 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, 2012. 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 post-employment 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, 2013

NOTE 8 - 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. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by the Illinois Department of Central Management Services (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 0.92 percent of pay during the year ended June 30, 2013. State of Illinois contributions were \$845, 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, 2012 and June 30, 2011 were 0.88 percent of pay, both years. State contributions on behalf of the Regional Office of Education No. 31 employees were \$1,478 and \$1,551, 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 0.69 percent during the year ended June 30, 2013 and 0.66 percent during the years ended June 30, 2012 and June 30, 2011. For the year ended June 30, 2013, the Regional Office of Education No. 31 paid \$634 to the THIS Fund. For the years ended June 30, 2012 and June 30, 2011, the Regional Office of Education No. 31 paid \$1,109 and \$1,163 to the THIS Fund, respectively, which was 100 percent of the required contribution.

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The 2013 report is listed under "Central Management Services." Prior reports are available under "Healthcare and Family Services."

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 9 - 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	\$ 107,640
Regional Superintendent - benefits (includes state paid insurance)	34,666
Assistant Regional Superintendent - salary	84,777
Assistant Regional Superintendent - benefits (includes state paid insurance)	20,956
TRS on-behalf payments	79,743
THIS on-behalf payments	845
County on-behalf payments	<u>330,636</u>
Total on-behalf payments	<u>\$ 659,263</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.

The Kane County Regional Office of Education No. 31 recorded the on-behalf payments as both revenues and expenditures in the general fund.

NOTE 10 - DEFICIT FUND BALANCES

At June 30, 2013, the following funds had deficit fund balances. They are expected to correct themselves in 2014, through payments from the State and transfers from local funds.

Education Fund	
Principal Mentoring	\$ (31,789)
Preschool Monitoring	(1,649)
ROE/ISC Operations	(2,063)
Proprietary Funds	
ESC Professional Development Local 2	\$ (15,787)
Technology	(41,415)

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 11 - 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 from and to various other governmental units which consist of the following:

Due From Other Governments

General Fund	
Youth Home Education	
Local government	\$ 458,797
Education Fund	
Technology for Success	
Illinois State Board of Education	20,803
Federal Special Education - IDEA Flow-Through	
Local government	5,182
Regional Safe Schools	
Illinois State Board of Education	49,341
Truants' Alternative and Optional Education Program (TAOEP)	
Illinois State Board of Education	6,208
Title II - Teacher Quality - Leadership	
Illinois State Board of Education	18,051
Title I - School Improvement & Accountability	
Local government	128,558
ROE/ISC Operations	
Illinois State Board of Education	<u>9,281</u>
Total	<u>\$ 696,221</u>

Due To Other Governments

General Fund	
Regional Program Development	
Other local entities	\$ 146
Institute Fund	
State Superintendent of Education	2,950
Education Fund	
Technology for Success	
Other local entities	4,201
McKinney Education for Homeless Children	
Other local entities	727
Building State Capacity	
Other local entities	1,350
Nonmajor Special Revenue Funds	
General Educational Development (GED)	
Other local entities	3,840

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 11 - DUE FROM/TO OTHER GOVERNMENTS (CONTINUED)

Due To Other Governments (Continued)

Proprietary Funds	
ESC Professional Development Local 2	
Other local entities	\$ 440
Visual Media Cooperative	
Other local entities	37,107
Criminal Background Investigation	
Other local entities	8,697
Agency Funds	
Payroll	
Other local entities	1,969
Juvenile Drug Court	
Other local entities	5,595
Distributive	
Other local entities	139,768
Regional Board of Trustees	
Other local entities	1,015
Total	<u>\$ 207,805</u>

NOTE 12 - DUE FROM/TO FUNDS

Interfund receivables and payables, primarily made to cover cash deficits within pooled cash accounts, as of June 30, 2013 were:

	<u>Due From</u>	<u>Due To</u>
General Fund		
Regional Program Development	\$ 116,693	\$ -
Education Fund		
Technology for Success	-	5,663
Title II - Teacher Quality - Leadership	-	18,051
Principal Mentoring	-	31,789
Preschool Monitoring	-	1,649
ROE/ISC Operations	-	6,314
Proprietary Funds		
ESC Professional Development Local 2	31,789	33,336
Technology	-	51,680
Total	<u>\$ 148,482</u>	<u>\$ 148,482</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 13 - 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, 2013:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Regional Program Development	\$ 416,979	\$ -
Youth Home Education	-	400,000
Proprietary Funds		
Kane County Human Resources Consortium	-	16,979
Total	<u>\$ 416,979</u>	<u>\$ 416,979</u>

NOTE 14 - 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.

NOTE 15 - NEW PRONOUNCEMENTS

In 2013, Kane County Regional Office of Education No. 31 implemented Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Regional Office of Education No. 31 implemented these standards during the current year; however, GASB Statement No. 60 and 61 had no impact on the financial statements. The implementation of GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

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

SUPPLEMENTARY INFORMATION

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING SCHEDULE OF ACCOUNTS
 GENERAL FUND ACCOUNTS
 June 30, 2013

	<u>Regional Program Development</u>	<u>General State Aid</u>	<u>Youth Home Education</u>	<u>Local Truancy</u>	<u>Operation Snowball</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 1,808,092	\$ 1,327,593	\$ 824,759	\$ 218,967	\$ 350	\$ 4,179,761
Investments	-	859,007	-	-	-	859,007
Accounts receivable	-	-	-	1,735	-	1,735
Due from other governments	-	-	458,797	-	-	458,797
Due from other funds	116,693	-	-	-	-	116,693
Total assets	<u>1,924,785</u>	<u>2,186,600</u>	<u>1,283,556</u>	<u>220,702</u>	<u>350</u>	<u>5,615,993</u>
DEFERRED OUTFLOWS OF RESOURCES						
None	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,924,785</u>	<u>\$ 2,186,600</u>	<u>\$ 1,283,556</u>	<u>\$ 220,702</u>	<u>\$ 350</u>	<u>\$ 5,615,993</u>
LIABILITIES						
Accounts payable and accrued expenses	\$ 722	\$ 8,521	\$ 34,827	\$ 183	\$ -	\$ 44,253
Due to other governments	146	-	-	-	-	146
Deferred revenue	-	-	458,797	-	-	458,797
Total liabilities	<u>868</u>	<u>8,521</u>	<u>493,624</u>	<u>183</u>	<u>-</u>	<u>503,196</u>
DEFERRED INFLOWS OF RESOURCES						
None	-	-	-	-	-	-
FUND BALANCE						
Assigned	-	-	789,932	220,519	350	1,010,801
Unassigned	1,923,917	2,178,079	-	-	-	4,101,996
Total fund balance	<u>1,923,917</u>	<u>2,178,079</u>	<u>789,932</u>	<u>220,519</u>	<u>350</u>	<u>5,112,797</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,924,785</u>	<u>\$ 2,186,600</u>	<u>\$ 1,283,556</u>	<u>\$ 220,702</u>	<u>\$ 350</u>	<u>\$ 5,615,993</u>

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, 2013

	<u>Regional Program Development</u>	<u>General State Aid</u>	<u>Youth Home Education</u>	<u>Local Truancy</u>	<u>Operation Snowball</u>	<u>Totals</u>
REVENUES:						
Local sources	\$ 9,373	\$ 10,862	\$ 657	\$ 14,665	\$ 8,550	\$ 44,107
State sources	-	502,963	856,297	-	-	1,359,260
On-behalf payments	-	659,263	-	-	-	659,263
Total revenues	<u>9,373</u>	<u>1,173,088</u>	<u>856,954</u>	<u>14,665</u>	<u>8,550</u>	<u>2,062,630</u>
EXPENDITURES:						
Education:						
Salaries	-	115,165	329,724	-	-	444,889
Benefits	-	29,064	115,583	-	-	144,647
Purchased services	78,799	10,688	13,153	957	3,450	107,047
Supplies and materials	557	-	3,417	578	-	4,552
Other objects	935	-	-	-	4,750	5,685
On-behalf payments	-	659,263	-	-	-	659,263
Capital outlay	-	15,552	580	-	-	16,132
Total expenditures	<u>80,291</u>	<u>829,732</u>	<u>462,457</u>	<u>1,535</u>	<u>8,200</u>	<u>1,382,215</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(70,918)</u>	<u>343,356</u>	<u>394,497</u>	<u>13,130</u>	<u>350</u>	<u>680,415</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	416,979	-	-	-	-	416,979
Transfers out	-	-	(400,000)	-	-	(400,000)
Total other financing sources (uses)	<u>416,979</u>	<u>-</u>	<u>(400,000)</u>	<u>-</u>	<u>-</u>	<u>16,979</u>
NET CHANGE IN FUND BALANCE	346,061	343,356	(5,503)	13,130	350	697,394
FUND BALANCE, BEGINNING 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>
FUND BALANCE, END OF YEAR	<u>\$ 1,923,917</u>	<u>\$ 2,178,079</u>	<u>\$ 789,932</u>	<u>\$ 220,519</u>	<u>\$ 350</u>	<u>\$ 5,112,797</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND ACCOUNTS
June 30, 2013

	<u>Technology for Success</u>	<u>Federal Special Education - IDEA Flow-Through</u>	<u>Regional Safe Schools</u>	<u>Truants' Alternative and Optional Education Program (TAOEP)</u>	<u>Title II - Teacher Quality - Leadership</u>
ASSETS					
Cash and cash equivalents	\$ -	\$ 7,346	\$ 34	\$ 36,099	\$ 9,272
Due from other governments	20,803	5,182	49,341	6,208	18,051
Prepaid expenses	<u>60</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>20,863</u>	<u>12,528</u>	<u>49,375</u>	<u>42,307</u>	<u>27,323</u>
DEFERRED OUTFLOWS OF RESOURCES					
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 20,863</u>	<u>\$ 12,528</u>	<u>\$ 49,375</u>	<u>\$ 42,307</u>	<u>\$ 27,323</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 8,620	\$ 2,502	\$ 7,155	\$ 30,028	\$ -
Due to other governments	4,201	-	-	-	-
Due to other funds	5,663	-	-	-	18,051
Deferred revenue	<u>-</u>	<u>5,182</u>	<u>-</u>	<u>-</u>	<u>1,551</u>
Total liabilities	<u>18,484</u>	<u>7,684</u>	<u>7,155</u>	<u>30,028</u>	<u>19,602</u>
DEFERRED INFLOWS OF RESOURCES					
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT)					
Nonspendable	60	-	-	-	-
Restricted	2,319	4,844	42,220	12,279	7,721
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance (deficit)	<u>2,379</u>	<u>4,844</u>	<u>42,220</u>	<u>12,279</u>	<u>7,721</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)	<u>\$ 20,863</u>	<u>\$ 12,528</u>	<u>\$ 49,375</u>	<u>\$ 42,307</u>	<u>\$ 27,323</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND ACCOUNTS
June 30, 2013

	<u>Title I - School Improvement & Accountability</u>	<u>McKinney Education for Homeless Children</u>	<u>Principal Mentoring</u>	<u>Preschool Monitoring</u>	<u>Gifted Education</u>
ASSETS					
Cash and cash equivalents	\$ 159,399	\$ 64,740	\$ -	\$ -	\$ 15,835
Due from other governments	128,558	-	-	-	-
Prepaid expenses	-	-	-	-	-
Total assets	<u>287,957</u>	<u>64,740</u>	<u>-</u>	<u>-</u>	<u>15,835</u>
DEFERRED OUTFLOWS OF RESOURCES					
None	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 287,957</u>	<u>\$ 64,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,835</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 65,320	\$ 3,230	\$ -	\$ -	\$ -
Due to other governments	-	727	-	-	-
Due to other funds	-	-	31,789	1,649	-
Deferred revenue	71,141	-	-	-	-
Total liabilities	<u>136,461</u>	<u>3,957</u>	<u>31,789</u>	<u>1,649</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
None	-	-	-	-	-
FUND BALANCE (DEFICIT)					
Nonspendable	-	-	-	-	-
Restricted	151,496	60,783	-	-	15,835
Unassigned	-	-	(31,789)	(1,649)	-
Total fund balance (deficit)	<u>151,496</u>	<u>60,783</u>	<u>(31,789)</u>	<u>(1,649)</u>	<u>15,835</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)	<u>\$ 287,957</u>	<u>\$ 64,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,835</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND ACCOUNTS
June 30, 2013

	<u>Title I - Reading First</u>	<u>ROE/ISC Operations</u>	<u>Building State Capacity</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 32	\$ -	\$ 3,851	\$ 296,608
Due from other governments	-	9,281	-	237,424
Prepaid expenses	-	-	-	60
Total assets	<u>32</u>	<u>9,281</u>	<u>3,851</u>	<u>534,092</u>
DEFERRED OUTFLOWS OF RESOURCES				
None	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 32</u>	<u>\$ 9,281</u>	<u>\$ 3,851</u>	<u>\$ 534,092</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ -	\$ 5,030	\$ -	\$ 121,885
Due to other governments	-	-	1,350	6,278
Due to other funds	-	6,314	-	63,466
Deferred revenue	-	-	-	77,874
Total liabilities	<u>-</u>	<u>11,344</u>	<u>1,350</u>	<u>269,503</u>
DEFERRED INFLOWS OF RESOURCES				
None	-	-	-	-
FUND BALANCE (DEFICIT)				
Nonspendable	-	-	-	60
Restricted	32	-	2,501	300,030
Unassigned	-	(2,063)	-	(35,501)
Total fund balance (deficit)	<u>32</u>	<u>(2,063)</u>	<u>2,501</u>	<u>264,589</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)	<u>\$ 32</u>	<u>\$ 9,281</u>	<u>\$ 3,851</u>	<u>\$ 534,092</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, 2013

SCHEDULE 4

	<u>Technology for Success</u>	<u>Federal Special Education - IDEA Flow-Through</u>	<u>Regional Safe Schools</u>	<u>Truants' Alternative and Optional Education Program (TAOEP)</u>	<u>Title II - Teacher Quality - Leadership</u>
REVENUES:					
Local sources	\$ 6	\$ 9	\$ 21	\$ 58	\$ 2
State sources	76,264	-	328,708	246,208	-
Federal sources	-	43,360	-	-	16,500
Total revenues	<u>76,270</u>	<u>43,369</u>	<u>328,729</u>	<u>246,266</u>	<u>16,502</u>
EXPENDITURES:					
Education:					
Salaries	39,722	36,199	63,291	177,520	-
Benefits	11,880	6,853	27,123	63,803	-
Purchased services	19,139	2,805	20,668	9,472	18,051
Supplies and materials	-	-	12	323	-
Payment to other governments	4,201	-	216,595	-	-
Total expenditures	<u>74,942</u>	<u>45,857</u>	<u>327,689</u>	<u>251,118</u>	<u>18,051</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	1,328	(2,488)	1,040	(4,852)	(1,549)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>1,051</u>	<u>7,332</u>	<u>41,180</u>	<u>17,131</u>	<u>9,270</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 2,379</u>	<u>\$ 4,844</u>	<u>\$ 42,220</u>	<u>\$ 12,279</u>	<u>\$ 7,721</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, 2013

SCHEDULE 4
(CONTINUED)

	<u>Title I - School Improvement & Accountability</u>	<u>McKinney Education for Homeless Children</u>	<u>Principal Mentoring</u>	<u>Preschool Monitoring</u>	<u>Gifted Education</u>
REVENUES:					
Local sources	\$ 65	\$ 13	\$ 1,600	\$ -	\$ 4
State sources	-	-	-	-	-
Federal sources	<u>671,126</u>	<u>51,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>671,191</u>	<u>51,713</u>	<u>1,600</u>	<u>-</u>	<u>4</u>
EXPENDITURES:					
Education:					
Salaries	277,729	38,868	-	-	-
Benefits	98,885	7,029	-	-	-
Purchased services	233,716	3,177	-	-	-
Supplies and materials	22,461	1,711	-	-	-
Payment to other governments	-	-	-	-	-
Total expenditures	<u>632,791</u>	<u>50,785</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	38,400	928	1,600	-	4
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>113,096</u>	<u>59,855</u>	<u>(33,389)</u>	<u>(1,649)</u>	<u>15,831</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 151,496</u>	<u>\$ 60,783</u>	<u>\$ (31,789)</u>	<u>\$ (1,649)</u>	<u>\$ 15,835</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, 2013

SCHEDULE 4
(CONTINUED)

	<u>Title I - Reading First</u>	<u>ROE/ISC Operations</u>	<u>Building State Capacity</u>	<u>Totals</u>
REVENUES:				
Local sources	\$ -	\$ 16	\$ 2,501	\$ 4,295
State sources	-	97,738	-	748,918
Federal sources	-	-	-	782,686
Total revenues	<u>-</u>	<u>97,754</u>	<u>2,501</u>	<u>1,535,899</u>
EXPENDITURES:				
Education:				
Salaries	-	64,591	-	697,920
Benefits	-	19,553	-	235,126
Purchased services	-	3,969	-	310,997
Supplies and materials	-	2,400	-	26,907
Payment to other governments	-	-	-	220,796
Total expenditures	<u>-</u>	<u>90,513</u>	<u>-</u>	<u>1,491,746</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	7,241	2,501	44,153
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>32</u>	<u>(9,304)</u>	<u>-</u>	<u>220,436</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 32</u>	<u>\$ (2,063)</u>	<u>\$ 2,501</u>	<u>\$ 264,589</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2013

	Technology for Success				Regional Safe Schools			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES:								
Local sources	\$ -	\$ -	\$ 6	\$ 6	\$ -	\$ -	\$ 21	\$ 21
State sources	34,487	74,300	76,264	1,964	321,341	321,341	328,708	7,367
Federal sources	-	-	-	-	-	-	-	-
Total revenues	<u>34,487</u>	<u>74,300</u>	<u>76,270</u>	<u>1,970</u>	<u>321,341</u>	<u>321,341</u>	<u>328,729</u>	<u>7,388</u>
EXPENDITURES:								
Education:								
Salaries	26,016	40,425	39,722	703	57,032	57,032	63,291	(6,259)
Benefits	7,597	12,328	11,880	448	24,064	24,064	27,123	(3,059)
Purchased services	874	17,747	19,139	(1,392)	21,550	21,550	20,668	882
Supplies and materials	-	3,800	-	3,800	2,100	2,100	12	2,088
Payments to other governments	-	-	4,201	(4,201)	216,595	216,595	216,595	-
Total expenditures	<u>34,487</u>	<u>74,300</u>	<u>74,942</u>	<u>(642)</u>	<u>321,341</u>	<u>321,341</u>	<u>327,689</u>	<u>(6,348)</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	<u>\$ -</u>	<u>\$ -</u>	<u>1,328</u>	<u>\$ 1,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,040</u>	<u>\$ 1,040</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			<u>1,051</u>				<u>41,180</u>	
FUND BALANCE (DEFICIT), END OF YEAR			<u>\$ 2,379</u>				<u>\$ 42,220</u>	

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

	Truants' Alternative and Optional Education Program (TAOEP)				Title II - Teacher Quality - Leadership			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES:								
Local sources	\$ -	\$ -	\$ 58	\$ 58	\$ -	\$ -	\$ 2	\$ 2
State sources	246,208	246,208	246,208	-	-	-	-	-
Federal sources	-	-	-	-	17,325	34,551	16,500	(18,051)
Total revenues	<u>246,208</u>	<u>246,208</u>	<u>246,266</u>	<u>58</u>	<u>17,325</u>	<u>34,551</u>	<u>16,502</u>	<u>(18,049)</u>
EXPENDITURES:								
Education:								
Salaries	176,483	176,483	177,520	(1,037)	-	-	-	-
Benefits	59,632	59,632	63,803	(4,171)	-	-	-	-
Purchased services	9,593	9,593	9,472	121	17,325	34,551	18,051	16,500
Supplies and materials	500	500	323	177	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-
Total expenditures	<u>246,208</u>	<u>246,208</u>	<u>251,118</u>	<u>(4,910)</u>	<u>17,325</u>	<u>34,551</u>	<u>18,051</u>	<u>16,500</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	<u>\$ -</u>	<u>\$ -</u>	<u>(4,852)</u>	<u>\$ (4,852)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,549)</u>	<u>\$ (1,549)</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			<u>17,131</u>				<u>9,270</u>	
FUND BALANCE (DEFICIT), END OF YEAR			<u>\$ 12,279</u>				<u>\$ 7,721</u>	

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

	ROE/ISC Operations			
	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES:				
Local sources	\$ -	\$ -	\$ 16	\$ 16
State sources	89,281	89,281	97,738	8,457
Federal sources	-	-	-	-
Total revenues	<u>89,281</u>	<u>89,281</u>	<u>97,754</u>	<u>8,473</u>
EXPENDITURES:				
Education:				
Salaries	60,000	60,000	64,591	(4,591)
Benefits	25,000	25,000	19,553	5,447
Purchased services	2,281	2,281	3,969	(1,688)
Supplies and materials	2,000	2,000	2,400	(400)
Payments to other governments	-	-	-	-
Total expenditures	<u>89,281</u>	<u>89,281</u>	<u>90,513</u>	<u>(1,232)</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	<u>\$ -</u>	<u>\$ -</u>	7,241	<u>\$ 7,241</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			<u>(9,304)</u>	
FUND BALANCE (DEFICIT), END OF YEAR			<u>\$ (2,063)</u>	

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2013**

ASSETS	<u>GED</u>	<u>Bus Driver Training</u>	<u>Supervisory</u>	<u>Totals</u>
Cash and cash equivalents	\$ 125,855	\$ 10,663	\$ 40	\$ 136,558
Accounts receivable	<u>3,445</u>	<u>3,536</u>	<u>-</u>	<u>6,981</u>
Total assets	<u>129,300</u>	<u>14,199</u>	<u>40</u>	<u>143,539</u>
 DEFERRED OUTFLOWS OF RESOURCES				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	<u>\$ 129,300</u>	<u>\$ 14,199</u>	<u>\$ 40</u>	<u>\$ 143,539</u>
 LIABILITIES				
Accounts payable and accrued expenses	\$ 4,072	\$ 200	\$ -	\$ 4,272
Due to other governments	3,840	-	-	3,840
Deferred revenue	<u>1,295</u>	<u>3,536</u>	<u>-</u>	<u>4,831</u>
Total liabilities	<u>9,207</u>	<u>3,736</u>	<u>-</u>	<u>12,943</u>
 DEFERRED INFLOWS OF RESOURCES				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 FUND BALANCE				
Restricted	<u>120,093</u>	<u>10,463</u>	<u>40</u>	<u>130,596</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
	<u>\$ 129,300</u>	<u>\$ 14,199</u>	<u>\$ 40</u>	<u>\$ 143,539</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, 2013

SCHEDULE 7

	<u>GED</u>	<u>Bus Driver Training</u>	<u>Supervisory</u>	<u>Totals</u>
REVENUES:				
Local sources	\$ 88,467	\$ 5,181	\$ -	\$ 93,648
State sources	-	2,655	-	2,655
Total revenues	<u>88,467</u>	<u>7,836</u>	<u>-</u>	<u>96,303</u>
EXPENDITURES:				
Education:				
Salaries	28,654	-	-	28,654
Benefits	10,365	-	-	10,365
Purchased services	13,226	7,005	-	20,231
Supplies and materials	16,122	320	-	16,442
Other objects	<u>1,539</u>	<u>130</u>	<u>-</u>	<u>1,669</u>
Total expenditures	<u>69,906</u>	<u>7,455</u>	<u>-</u>	<u>77,361</u>
NET CHANGE IN FUND BALANCE	18,561	381	-	18,942
FUND BALANCE, BEGINNING OF YEAR	<u>101,532</u>	<u>10,082</u>	<u>40</u>	<u>111,654</u>
FUND BALANCE, END OF YEAR	<u>\$ 120,093</u>	<u>\$ 10,463</u>	<u>\$ 40</u>	<u>\$ 130,596</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 June 30, 2013

SCHEDULE 8

	<u>Visual Media Cooperative</u>	<u>Local Administrators Academy</u>	<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	\$ 52,064	\$ 144,190	\$ 78,536	\$ 63,917	\$ 1	\$ 385	\$ 339,093
Accounts receivable	-	210	-	-	-	-	210
Total current assets	<u>52,064</u>	<u>144,400</u>	<u>78,536</u>	<u>63,917</u>	<u>1</u>	<u>385</u>	<u>339,303</u>
Non-current assets:							
Capital assets, net of depreciation	-	-	5,083	-	-	-	5,083
Total assets	<u>52,064</u>	<u>144,400</u>	<u>83,619</u>	<u>63,917</u>	<u>1</u>	<u>385</u>	<u>344,386</u>
DEFERRED OUTFLOWS OF RESOURCES							
None	-	-	-	-	-	-	-
LIABILITIES							
Current liabilities:							
Accounts payable and accrued expenses	-	897	4,640	-	-	-	5,537
Due to other governments	37,107	-	8,697	-	-	-	45,804
Total current liabilities	<u>37,107</u>	<u>897</u>	<u>13,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,341</u>
Total liabilities	<u>37,107</u>	<u>897</u>	<u>13,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,341</u>
DEFERRED INFLOWS OF RESOURCES							
None	-	-	-	-	-	-	-
NET POSITION							
Net investment in capital assets	-	-	5,083	-	-	-	5,083
Unrestricted	14,957	143,503	65,199	63,917	1	385	287,962
Total net position	<u>\$ 14,957</u>	<u>\$ 143,503</u>	<u>\$ 70,282</u>	<u>\$ 63,917</u>	<u>\$ 1</u>	<u>\$ 385</u>	<u>\$ 293,045</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2013

SCHEDULE 9

	<u>Visual Media Cooperative</u>	<u>Local Administrators Academy</u>	<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:							
Charges for services	\$ -	\$ 4,265	\$ 115,040	\$ 49,000	\$ 49,110	\$ -	\$ 217,415
OPERATING EXPENSES:							
Purchased services	-	3,582	113,801	23,586	49,110	-	190,079
Supplies and materials	-	201	1,033	66	-	-	1,300
Other objects	-	52	734	-	-	-	786
Depreciation	-	1	521	-	-	-	522
Total operating expenses	<u>-</u>	<u>3,836</u>	<u>116,089</u>	<u>23,652</u>	<u>49,110</u>	<u>-</u>	<u>192,687</u>
OPERATING INCOME (LOSS)	-	429	(1,049)	25,348	-	-	24,728
NONOPERATING REVENUES							
Interest revenue	<u>334</u>	<u>55</u>	<u>24</u>	<u>28</u>	<u>-</u>	<u>-</u>	<u>441</u>
INCOME (LOSS) BEFORE TRANSFERS	334	484	(1,025)	25,376	-	-	25,169
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,979)</u>	<u>-</u>	<u>-</u>	<u>(16,979)</u>
CHANGE IN NET POSITION	334	484	(1,025)	8,397	-	-	8,190
NET POSITION, BEGINNING OF YEAR	<u>14,623</u>	<u>143,019</u>	<u>71,307</u>	<u>55,520</u>	<u>1</u>	<u>385</u>	<u>284,855</u>
NET POSITION, END OF YEAR	<u>\$ 14,957</u>	<u>\$ 143,503</u>	<u>\$ 70,282</u>	<u>\$ 63,917</u>	<u>\$ 1</u>	<u>\$ 385</u>	<u>\$ 293,045</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2013

SCHEDULE 10

	Visual Media Cooperative	Local Administrators Academy	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	\$ -	\$ 6,080	\$ 116,970	\$ 49,000	\$ 49,110	\$ -	\$ 221,160
Payments to suppliers and providers of goods and services	-	(2,938)	(105,135)	(23,652)	(49,110)	-	(180,835)
Net cash provided by operating activities	<u>-</u>	<u>3,142</u>	<u>11,835</u>	<u>25,348</u>	<u>-</u>	<u>-</u>	<u>40,325</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers from (to) other funds	-	-	-	(16,979)	-	-	(16,979)
Net cash used in noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,979)</u>	<u>-</u>	<u>-</u>	<u>(16,979)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:							
Purchase of capital assets	-	-	(4,639)	-	-	-	(4,639)
Net cash used in capital financing activities	<u>-</u>	<u>-</u>	<u>(4,639)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,639)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest	334	55	24	28	-	-	441
Net cash provided by investing activities	<u>334</u>	<u>55</u>	<u>24</u>	<u>28</u>	<u>-</u>	<u>-</u>	<u>441</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	334	3,197	7,220	8,397	-	-	19,148
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>51,730</u>	<u>140,993</u>	<u>71,316</u>	<u>55,520</u>	<u>1</u>	<u>385</u>	<u>319,945</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 52,064</u>	<u>\$ 144,190</u>	<u>\$ 78,536</u>	<u>\$ 63,917</u>	<u>\$ 1</u>	<u>\$ 385</u>	<u>\$ 339,093</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	\$ -	\$ 429	\$ (1,049)	\$ 25,348	\$ -	\$ -	\$ 24,728
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	-	1	521	-	-	-	522
Effects of changes in assets and liabilities:							
Accounts receivable	-	1,815	1,930	-	-	-	3,745
Accounts payable and accrued expenses	-	897	-	-	-	-	897
Due to other governments	-	-	10,433	-	-	-	10,433
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ 3,142</u>	<u>\$ 11,835</u>	<u>\$ 25,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,325</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 June 30, 2013

	<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	\$ 1,969	\$ 5,595	\$ 139,768	\$ 1,015	\$ 148,347
LIABILITIES					
Due to other governments	\$ 1,969	\$ 5,595	\$ 139,768	\$ 1,015	\$ 148,347

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 COMBINING STATEMENT OF CHANGES IN
 ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2013

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2013</u>
PAYROLL				
ASSETS				
Cash and cash equivalents	\$ 17,197	\$ 1,567,236	\$ 1,582,464	\$ 1,969
LIABILITIES				
Due to other governments	\$ 17,197	\$ 1,567,236	\$ 1,582,464	\$ 1,969
JUVENILE DRUG COURT				
ASSETS				
Cash and cash equivalents	\$ 5,594	\$ 1	\$ -	\$ 5,595
LIABILITIES				
Due to other governments	\$ 5,594	\$ 1	\$ -	\$ 5,595
DISTRIBUTIVE				
ASSETS				
Cash and cash equivalents	\$ 4,194	\$ 2,024,036	\$ 1,888,462	\$ 139,768
LIABILITIES				
Due to other governments	\$ 4,194	\$ 2,024,036	\$ 1,888,462	\$ 139,768
REGIONAL BOARD OF TRUSTEES				
ASSETS				
Cash and cash equivalents	\$ 1,500	\$ -	\$ 485	\$ 1,015
LIABILITIES				
Due to other governments	\$ 1,500	\$ -	\$ 485	\$ 1,015
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 28,485	\$ 3,591,273	\$ 3,471,411	\$ 148,347
LIABILITIES				
Due to other governments	\$ 28,485	\$ 3,591,273	\$ 3,471,411	\$ 148,347

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT
 TREASURERS AND OTHER ENTITIES
 Year Ended June 30, 2013**

Valley Education for Employment System

Vocational Education - Career and Technical Education Improvement	\$	1,437,051
Vocational Education - CTE Perkins		<u>586,968</u>
	\$	<u>2,024,019</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

Federal Grantor/Pass- Through Grantor, Program or Cluster Title	CFDA Number	Project Number (1st 8 digits) or Contract #	Federal Expenditures June 30, 2013
U.S. Department of Education passed through Illinois State Board of Education: Improving Teacher Quality State Grants Title II - Teacher Quality - Leadership	84.367A	13-4935-02	\$ 18,051
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	13-4630-01	45,847
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	13-4331-SS	631,777
Education for Homeless Children and Youth McKinney Education for Homeless Children	84.196A	13-4920-00	<u>50,785</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>746,460</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, 2013**

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 presented 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 - DESCRIPTION OF FEDERAL PROGRAM AUDITED AS A MAJOR 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 3 - SUBRECIPIENTS

N/A

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.