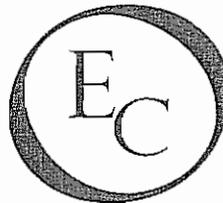


**STATE OF ILLINOIS
KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
FOR THE YEAR ENDED JUNE 30, 2009**

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



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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31

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

Regional Superintendent
(current and during the audit period)

Mr. Douglas Johnson

Assistant Regional Superintendent
(current and during the audit period)

Mr. Harrison Schneider

Office is located at:

210 S. Sixth Street,
Geneva, Illinois, 60134

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

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

AUDITORS' REPORTS

The auditors' reports on compliance and on internal controls do not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF AUDIT FINDINGS

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

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
	12	None	N/A
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)			
	12	None	N/A
PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)			
08-1	13	Inadequate Monitoring of Collateral on Deposits	
08-2	13	Failure to Apply Appropriate Accounting Principles	
PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)			
	13	None	

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

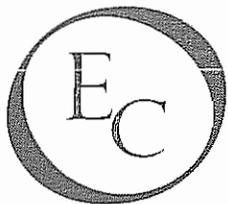
EXIT CONFERENCE

The Kane County Regional Office of Education No. 31 opted not to have an exit conference during the financial audit for the year ended June 30, 2009.

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

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

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



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

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kane County Regional Office of Education No. 31, as of and for the year ended June 30, 2009, which collectively comprise the Kane County Regional Office of Education No. 31's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Kane County Regional Office of Education No. 31's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Kane County Regional Office of Education No. 31, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

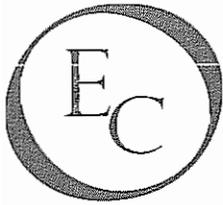
In accordance with *Government Auditing Standards*, we have also issued a report dated February 17, 2010 on our consideration of the Kane County Regional Office of Education No. 31's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 14 through 20 and page 51 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

E. C. Ortiz & Co., LLP

Chicago, Illinois
February 17, 2010



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kane County Regional Office of Education No. 31, as of and for the year ended June 30, 2009, which collectively comprise the Kane County Regional Office of Education No. 31's basic financial statements and have issued our report thereon dated February 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

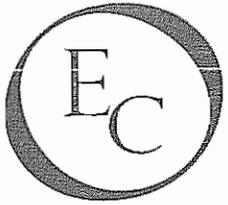
As part of obtaining reasonable assurance about whether the Kane County Regional Office of Education No. 31's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with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

We also noted a certain matter which we have reported to management of the Kane County Regional Office of Education No. 31 in a separate letter dated February 17, 2010.

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

E. C. Outley & Co., LLP

Chicago, Illinois
February 17, 2010



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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the Kane County Regional Office of Education No. 31 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Kane County Regional Office of Education No. 31's major federal programs are identified in the Summary of the Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Kane County Regional Office of Education No. 31's management. Our responsibility is to express an opinion on the Kane County Regional Office of Education No. 31's compliance based on our audit.

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

In our opinion, the Kane County Regional Office of Education No. 31 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

E. C. Ortig & Co., LLP

Chicago, Illinois
February 17, 2010

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

Part I: Summary of the Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I - School Improvement & Accountability
84.394A	ARRA - General State Aid

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

Auditee qualified as low-risk auditee? ✓ Yes No

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

Part II: Finding Related to the Financial Statements

There are no audit findings in the current year.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance:

None

Significant Deficiency:

None

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
08-1	Inadequate Monitoring of Collateral on Deposits	Not Repeated
08-2	Failure to Apply Appropriate Accounting Principles	Not Repeated

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

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, 2009 with comparative information for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the ROE's performance as a whole. Readers should review the financial statements and any notes to the basic financial statements to assist them in understanding the role of the ROE, its operations and financial condition.

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

Mission

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

Education Service Region

The Kane County Regional Office of Education serves over 130,000 students, which includes 119,928 public school students and 10,129 private/parochial students. Our region includes nine (K-12) unit districts, two community college districts, 176 public school buildings and over 9,000 public/private school teachers.

Overview/Issues

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

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

2009 Financial Highlights

- Within the Governmental Funds, the General Fund revenues decreased by \$82,708 (14%) from \$611,432 in FY 2008 to \$528,724 in FY 2009. General Fund expenditures decreased by \$59,449 (10%) from \$587,504 in FY 2008 to \$528,055 in FY 2009.
- Within the Governmental Funds, the Special Revenue Fund revenues decreased by \$158,642 (4%) from \$3,679,632 in FY 2008 to \$3,520,990 in FY 2009. The Special Revenue Fund expenditures increased by \$202,802 (7%) from \$3,060,455 in FY 2008 to \$3,263,257 in FY 2009.
- The Enterprise Fund revenue decreased by \$284,152 (39%) from \$723,731 in FY 2008 to \$439,579 in FY 2009. The Enterprise Fund expenditures decreased by \$373,251 (53%) from \$706,054 in FY 2008 to \$332,803 in FY 2009.

Using This Report

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

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

The Statement of Net Assets and the Statement of Activities

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

The Office has three kinds of funds:

- Governmental Funds account for those funds through which most governmental functions of the Office are financed. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Office's programs. The governmental funds required financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.
- Proprietary Funds account for resources from fees charged directly to those entities or individuals that use its services. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by government-wide financial statements. The proprietary funds required financial statements include a

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

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

- Fiduciary Funds account for assets held by the ROE No. 31 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds required financial statements include a Statement of Fiduciary Net Assets.

Government-Wide Financial Analysis

As noted earlier, net assets may serve when examined over time as one indicator of the financial position of the ROE No. 31. The net assets at the end of FY 2009 and FY 2008 totaled \$2,919,396 and \$2,609,288, respectively. The analysis that follows provides a summary of the ROE No. 31's net assets as of June 30.

CONDENSED STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
ASSETS						
Current assets	\$ 3,635,552	\$ 3,223,672	\$ 381,523	\$ 564,299	\$ 4,017,075	\$ 3,787,971
Capital assets, net of depreciation	101,702	158,478	41,462	49,125	143,164	207,603
TOTAL ASSETS	<u>3,737,254</u>	<u>3,382,150</u>	<u>422,985</u>	<u>613,424</u>	<u>4,160,239</u>	<u>3,995,574</u>
Current liabilities	1,153,129	1,016,549	68,254	340,679	1,221,383	1,357,228
Noncurrent liabilities	3,419	5,227	16,041	23,831	19,460	29,058
TOTAL LIABILITIES	<u>1,156,548</u>	<u>1,021,776</u>	<u>84,295</u>	<u>364,510</u>	<u>1,240,843</u>	<u>1,386,286</u>
NET ASSETS						
Invested in capital assets, net of related debt	96,475	151,545	17,632	17,947	114,107	169,492
Restricted for teacher professional development	486,332	455,142	-	-	486,332	455,142
Unrestricted	1,997,899	1,753,687	321,058	230,967	2,318,957	1,984,654
TOTAL NET ASSETS	<u>\$ 2,580,706</u>	<u>\$ 2,360,374</u>	<u>\$ 338,690</u>	<u>\$ 248,914</u>	<u>\$ 2,919,396</u>	<u>\$ 2,609,288</u>

The ROE No. 31's net assets increased by \$310,108 (12%) from FY 2008. The increase was primarily due to the excess of revenues over expenses for the Youth Home Education fund and the General State Aid fund. In addition, net assets related to the Teacher Institute Fund are considered restricted for teacher professional development.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

CHANGES IN NET ASSETS

The following analysis shows the changes in net assets for the years ended June 30, 2009 and 2008.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 151,835	\$ 161,344	\$ 436,474	\$ 714,467	\$ 588,309	\$ 875,811
Operating grants and contributions	3,597,584	3,684,732	-	-	3,597,584	3,684,732
General revenues:						
State and local sources	2,614	92,659	-	-	2,614	92,659
Interest	26,640	80,535	3,105	9,264	29,745	89,799
On-behalf payments	271,041	271,794	-	-	271,041	271,794
Loss on disposal of assets	-	(45)	-	-	-	(45)
Total revenues	4,049,714	4,291,019	439,579	723,731	4,489,293	5,014,750
Expenses:						
Salaries	1,303,462	1,266,486	-	-	1,303,462	1,266,486
Benefits	375,497	367,889	-	-	375,497	367,889
Purchased services	847,431	796,488	291,117	570,990	1,138,548	1,367,478
Supplies and materials	158,762	174,846	9,888	115,100	168,650	289,946
Capital expenditures	1,287	1,494	16,431	1,205	17,718	2,699
Depreciation	60,372	94,139	15,367	17,150	75,739	111,289
Payments to other governmental units	828,530	741,294	-	-	828,530	741,294
Miscellaneous	-	2,680	-	1,609	-	4,289
On-behalf payments	271,041	271,794	-	-	271,041	271,794
Total expenses	3,846,382	3,717,110	332,803	706,054	4,179,185	4,423,164
Income before operating transfers	203,332	573,909	106,776	17,677	310,108	591,586
Operating transfers	17,000	(7,800)	(17,000)	7,800	-	-
Change in net assets	220,332	566,109	89,776	25,477	310,108	591,586
Net assets, beginning	2,360,374	1,794,265	248,914	223,437	2,609,288	2,017,702
Net assets, ending	\$ 2,580,706	\$ 2,360,374	\$ 338,690	\$ 248,914	\$ 2,919,396	\$ 2,609,288

Governmental Activities

Revenues for governmental activities were \$4,049,714 and expenses were \$3,846,382. The decrease in program revenues was mainly due to the decrease in revenues for the Youth Home Education and McKinney Education for Homeless Children grants by \$162,868 and \$59,760, respectively from FY 2008 to FY 2009. Funds for these grants were reduced in FY 2009. The decrease was however offset by the receipt of additional general State aid funds totaling \$103,677, authorized by the American Recovery and Reinvestment Act of 2009, with the goal of delivering emergency funding education to states. All other expenditures were proportionally increased or decreased to meet the funding level.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Business-Type Activities

Revenues for business-type activities were \$439,579 and expenditures were \$332,803. The decrease in revenues and expenditures is primarily attributed to the decrease in professional development and computer training workshops conducted in FY 2009.

Financial Analysis of the ROE No. 31 Funds

As previously noted, the ROE No. 31 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Kane County Regional Office of Education No. 31's Governmental Funds reported combined fund balances totaling \$2,484,231.

Governmental Fund Highlights

- State funding of Regional Offices of Education has been stable in comparison to the previous year.
- There was an increase in the State aid foundation level from \$5,734 to \$5,859 in FY 2009.
- Certain State and federal grants allocated to the ROE No. 31 from other governmental agencies were reduced in FY 2009.
- Interest income on cash and cash equivalents (certificates of deposit and sweep accounts) decreased due to the decrease in both interest rates and excess funds placed for investment.
- County support for the Regional Office of Education No. 31 remained at last year's funding level.

Proprietary Fund Highlights

Total proprietary fund net assets increased by \$89,776 (36%). This is attributed mainly to the excess of revenues over expenses of the ESC Professional Development Local 2 fund and the Kane County Library Resources Consortium fund.

Fiduciary Fund Highlights

There was an increase of \$42,803 (151%) in total fiduciary funds for FY 2009. Transactions during FY 2009 represent mainly transfers in and out of funds for the distributive and payroll funds.

Budgetary Highlights

The ROE No. 31 annually prepares budgets for several funds which serve as a guideline for activities and expenditures. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the County Board for their approval. The Office

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Operations Budget covers a fiscal year which runs from December 1 to November 30. All grant budgets are prepared by the Regional Office of Education No. 31 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency. Additionally, all Regional Office of Education funds are reported and included in our annual report. In addition, the Institute Fund is printed in a newspaper of general circulation in Kane County.

Capital Assets

ROE No. 31's capital assets include office equipment, computers, audio-visual equipment, and office furniture. The ROE No. 31 maintains an inventory of capital assets which have been accumulated over time. For FY 2009, total additions and retirements amounted to \$11,300 and \$16,995, respectively. Depreciation expense for FY 2009 was \$75,739.

Economic Factors and Next Years' Budget

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

- The proposed State aid foundation level for FY 2010 has been increased to \$6,089 per student.
- County board support for ROE No. 31 is expected to remain at FY09 funding level.
- Several federal grants are expected to be received in FY 2010 in the form of general State aid and competitive grants in an effort to reduce the impact of the State's current fiscal deficit on the school district operations.
- The growth in the region is stabilizing.

Contacting the Kane County Regional Office

This financial report is designed to provide the Regional Office's citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Regional Office of Education No. 31 at 210 South Sixth Street, Geneva, IL 60134. For a more detailed analysis and explanation of operations and programs, the complete FY 2009 Annual Report is posted on the Kane County ROE website at <http://www.kaneroe.org>.

BASIC FINANCIAL STATEMENTS

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
STATEMENT OF NET ASSETS
JUNE 30, 2009**

EXHIBIT A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,790,729	\$ 324,866	\$ 3,115,595
Accounts receivable	11,019	18,222	29,241
Due from other governmental agencies	833,804	38,435	872,239
Total current assets	<u>3,635,552</u>	<u>381,523</u>	<u>4,017,075</u>
Noncurrent assets			
Capital assets, net	<u>101,702</u>	<u>41,462</u>	<u>143,164</u>
TOTAL ASSETS	<u>3,737,254</u>	<u>422,985</u>	<u>4,160,239</u>
LIABILITIES			
Accounts payable and accrued expenses	638,290	53,321	691,611
Due to other funds	29,963	(29,963)	-
Due to other governmental agencies	483,068	37,107	520,175
Leases payable	1,808	7,789	9,597
Total current liabilities	<u>1,153,129</u>	<u>68,254</u>	<u>1,221,383</u>
Noncurrent liabilities			
Leases payable	<u>3,419</u>	<u>16,041</u>	<u>19,460</u>
TOTAL LIABILITIES	<u>1,156,548</u>	<u>84,295</u>	<u>1,240,843</u>
NET ASSETS			
Invested in capital assets, net of related debt	96,475	17,632	114,107
Restricted for teacher professional development	486,332	-	486,332
Unrestricted	<u>1,997,899</u>	<u>321,058</u>	<u>2,318,957</u>
TOTAL NET ASSETS	<u>\$ 2,580,706</u>	<u>\$ 338,690</u>	<u>\$ 2,919,396</u>

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2009

EXHIBIT B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contribution	Primary Government		Total
				Governmental Activities	Business-Type Activities	
FUNCTIONS/PROGRAMS						
Primary government						
Governmental activities:						
Instructional services						
Salaries	\$ 1,303,462	\$ 53,901	\$ 1,355,574	\$ 106,013	\$ -	\$ 106,013
Benefits	375,497	15,578	390,509	30,590	-	30,590
Purchased services	847,431	37,291	827,413	17,273	-	17,273
Supplies and materials	158,762	7,243	162,555	11,036	-	11,036
Capital expenditures	1,287	106	5,078	3,897	-	3,897
Depreciation expense	60,372	-	-	(60,372)	-	(60,372)
Payments to other governments	828,530	37,716	856,455	65,641	-	65,641
Administrative						
On-behalf payments	271,041	-	-	(271,041)	-	(271,041)
Total governmental activities	3,846,382	151,835	3,597,584	(96,963)	-	(96,963)
Business-type activities:						
Professional development	332,803	436,474	-	-	103,671	103,671
Total business-type activities	332,803	436,474	-	-	103,671	103,671
Total primary government	\$ 4,179,185	\$ 588,309	\$ 3,597,584	(96,963)	103,671	6,708
General revenues:						
Local sources						
Intergovernmental				2,614	-	2,614
Interest				26,640	3,105	29,745
On-behalf payments				271,041	-	271,041
Transfers				17,000	(17,000)	-
Total general revenues and transfers				317,295	(13,895)	303,400
Change in net assets				220,332	89,776	310,108
Net assets - beginning				2,360,374	248,914	2,609,288
Net assets - ending				\$ 2,580,706	\$ 338,690	\$ 2,919,396

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009**

EXHIBIT C

	<u>General Fund</u>	<u>Education Fund</u>	<u>Institute Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 868,360	\$ 1,206,637	\$ 474,271	\$ 241,461	\$ 2,790,729
Accounts receivable	-	-	3,835	7,184	11,019
Due from other funds	-	40,643	8,950	-	49,593
Due from other governmental agencies	107,086	726,235	-	483	833,804
TOTAL ASSETS	<u>975,446</u>	<u>1,973,515</u>	<u>487,056</u>	<u>249,128</u>	<u>3,685,145</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	13,276	593,500	724	30,790	638,290
Due to other funds	29,570	49,986	-	-	79,556
Due to other governmental agencies	-	483,068	-	-	483,068
Total liabilities	<u>42,846</u>	<u>1,126,554</u>	<u>724</u>	<u>30,790</u>	<u>1,200,914</u>
FUND BALANCES					
Unreserved, reported in:					
General fund	932,600	-	-	-	932,600
Special revenue funds	-	846,961	486,332	218,338	1,551,631
Total fund balances	<u>932,600</u>	<u>846,961</u>	<u>486,332</u>	<u>218,338</u>	<u>2,484,231</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 975,446</u>	<u>\$ 1,973,515</u>	<u>\$ 487,056</u>	<u>\$ 249,128</u>	<u>\$ 3,685,145</u>

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

EXHIBIT D

Total fund balances - governmental funds		\$ 2,484,231
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	\$ 101,702	
Capital lease obligations are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(5,227)</u>	<u>96,475</u>
Net assets of governmental activities		<u><u>\$ 2,580,706</u></u>

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009**

EXHIBIT E

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
REVENUES					
Federal sources	\$ -	\$ 876,207	\$ -	\$ -	\$ 876,207
State sources	246,211	2,471,511	-	3,655	2,721,377
Local sources					
Intergovernmental	2,614	4,250	13,871	-	20,735
Fees for services	-	-	45,582	88,132	133,714
Interest	8,858	10,633	4,329	2,820	26,640
On-behalf payments	271,041	-	-	-	271,041
Total revenues	<u>528,724</u>	<u>3,362,601</u>	<u>63,782</u>	<u>94,607</u>	<u>4,049,714</u>
EXPENDITURES					
Instructional services:					
Salaries	126,392	1,156,051	-	21,019	1,303,462
Benefits	35,142	334,406	-	5,949	375,497
Purchased services	84,872	680,615	50,140	33,510	849,137
Supplies and materials	3,025	131,201	2,452	22,084	158,762
Payments to other governments	5,000	803,530	-	20,000	828,530
On-behalf payments	271,041	-	-	-	271,041
Capital expenditures	2,583	2,300	-	-	4,883
Total expenditures	<u>528,055</u>	<u>3,108,103</u>	<u>52,592</u>	<u>102,562</u>	<u>3,791,312</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	669	254,498	11,190	(7,955)	258,402
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	129,000	(132,000)	20,000	-	17,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	129,669	122,498	31,190	(7,955)	275,402
FUND BALANCES, BEGINNING OF YEAR	802,931	724,463	455,142	226,293	2,208,829
FUND BALANCES, END OF YEAR	<u>\$ 932,600</u>	<u>\$ 846,961</u>	<u>\$ 486,332</u>	<u>\$ 218,338</u>	<u>\$ 2,484,231</u>

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

EXHIBIT F

Net change in fund balances		\$ 275,402
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital expenditures	\$ 3,596	
Depreciation expense	<u>(60,372)</u>	(56,776)
Repayment of long-term capital lease obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		<u>1,706</u>
Change in net assets of governmental activities		<u>\$ 220,332</u>

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

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

EXHIBIT H

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009**

	Business Type Activities - Enterprise Funds
	Nonmajor Proprietary Funds
OPERATING REVENUES	
Local sources	
Intergovernmental	\$ 193,023
Fees for services	243,451
Total operating revenues	<u>436,474</u>
OPERATING EXPENSES	
Purchased services	291,117
Supplies and materials	9,888
Depreciation	15,367
Capital expenditures	16,431
Total operating expenses	<u>332,803</u>
OPERATING INCOME	103,671
NONOPERATING REVENUES	
Interest	<u>3,105</u>
INCOME BEFORE OPERATING TRANSFER	106,776
OPERATING TRANSFER	
Transfer out	<u>(17,000)</u>
CHANGE IN NET ASSETS	89,776
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>248,914</u>
TOTAL NET ASSETS, END OF YEAR	<u><u>\$ 338,690</u></u>

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2009**

EXHIBIT I

	Business Type Activities - Enterprise Funds Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts for workshops and services	\$ 593,016
Payments to suppliers	(526,100)
Net cash provided by operating activities	<u>66,916</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITY:	
Cash transfers to other funds	(17,000)
Net cash used in noncapital financing activity	<u>(17,000)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Purchase of capital assets	(7,704)
Principal paid on capital lease obligations	(7,348)
Net cash used in capital financing activities	<u>(15,052)</u>
CASH FLOWS FROM INVESTING ACTIVITY:	
Interest	3,105
Net cash provided by investing activity	<u>3,105</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	37,969
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>286,897</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 324,866</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 103,671
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	15,367
Effects of changes in assets and liabilities:	
Accounts receivable	(17,441)
Due from (to) other funds	(29,963)
Due from other governmental agencies	238,186
Accounts payable and accrued expenses	(170,701)
Due to other governmental agencies	(8,000)
Deferred revenues	(64,203)
Net cash provided by operating activities	<u>\$ 66,916</u>

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009**

EXHIBIT J

ASSETS

Cash and cash equivalents	\$ 50,253
Due from other governmental agencies	<u>20,827</u>
TOTAL ASSETS	<u>71,080</u>

LIABILITIES

Accounts payable and accrued expenses	243
Due to other governmental agencies	<u>70,837</u>
TOTAL LIABILITIES	<u>\$ 71,080</u>

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. Government-wide and Fund Financial Statements

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

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

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

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

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

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

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

The financial statements of Kane County Regional Office of Education No. 31 are prepared in accordance with generally accepted accounting principles (GAAP). The Kane County Regional Office of Education No. 31 applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

similar revenues are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund and fiduciary 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 as available if they are collected within 60 days after year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

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

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

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

D. Fund Accounting

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Governmental Fund Types

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

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

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

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).

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

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

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 grant monies received for, and payment of expenditures of the alternative school program for at-risk youth, creating alternative placement for those students.

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

ARRA - General State Aid (State Fiscal Stabilization Fund - Education State Grants, Recovery Act) - Accounts for grant monies received for, and payment of, expenditures related to helping stabilize state budgets in order to minimize the possible impact of the State's current fiscal deficit and avoid reductions in education. This is funded by the American Reinvestment and Recovery Act (ARRA) - General State Aid.

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

SOS - Q4 Teacher Quality - Accounts for grant monies received for, and payment of expenditures for improving teacher quality through professional development. Funds are received from the Professional Development Alliance of the Will County Regional Office of Education No. 56.

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

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.

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Principal Mentoring - Accounts for 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.

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

Institute Fund - Accounts for fees collected for the registration and renewal of teaching certificates. These fees are used to defray administrative expenses incidental to teachers' institutes, workshops or meetings of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the expense of any general or special meeting of teachers or school personnel, which has been approved by the Kane County Regional Office of Education No. 31. All funds generated remain restricted until expended only on the aforementioned activities.

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

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

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.

Local Truancy - Accounts for revenues received 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, 2009

Proprietary Fund Types

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

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

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

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.

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.

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

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.

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

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 monies received and subsequent payment of payroll expenditures.

Juvenile Drug Court - The ROE 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.

Kane Cares - Accounts for monies received, and disbursements paid in administering the Kane Cares program funded by the Kane County Health Department.

E. Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the ROE receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ROE must provide local resources to be used for specific purpose, and expenditure requirements, in which the resources are provided to the ROE on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

F. Cash and Cash Equivalents

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

G. Capital Assets

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

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

H. Deferred Revenues

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

I. 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.

J. Budgets and Budgetary Accounting

Kane County Regional Office of Education No. 31 did not formally adopt a budget for the year ended June 30, 2009 and is not legally required to do so. The Illinois State Board of Education requires budgets for certain State and Federal programs. These budgets were used to prepare the Budgetary Comparison Schedules for the following programs:

General Fund:

- ROE/ISC Operations

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Special Revenue Funds:

- Technology for Success
- Regional Safe Schools
- Truants' Alternative and Optional Education Program (TAOEP)

K. 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.

L. Interest Revenue

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

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

M. New Accounting Pronouncements

Effective July 1, 2008, the Kane County Regional Office of Education No. 31 adopted the following accounting pronouncements:

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.
- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which incorporates the hierarchy of

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
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JUNE 30, 2009

GAAP for State and local governments into the GASB's authoritative literature. It is intended to make it easier for preparers of State and local government financial statements to identify and apply the "GAAP hierarchy," which consists of sources of accounting principles used in the preparation of financial statements so that they are presented in conformity with GAAP and the framework for selecting those principles.

- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This statement addresses three issues not included in the authoritative literature that establishes accounting principles—related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

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

NOTE 2 - CASH AND INVESTMENTS

Deposits

The Kane County Regional Office of Education No. 31 utilizes several different bank accounts for its various activities. The book balance of such accounts is \$3,145,037 at June 30, 2009, while the bank balance was \$3,212,490. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2009. Of the total bank balances as of June 30, 2009, \$288,487 was secured by federal depository insurance, and \$2,924,003 was collateralized by securities pledged by the Regional Office of Education No. 31's financial institution on behalf of the Regional Office.

Investments

The ROE's established investment policy follows the State of Illinois Public Funds Investment Act which authorizes the ROE to purchase certain obligations of the U.S. Treasury, federal agencies and instrumentalities; certificates of deposit and time deposits covered by Federal depository insurance; commercial paper of U.S. corporations with assets 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
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As of June 30, 2009, the Kane County Regional Office of Education No. 31 had investments with carrying and fair values of \$20,811 and \$20,231, respectively invested in the Illinois Funds Money Market.

Credit Risk

At June 30, 2009, the Illinois Funds Money Market Fund had a Standards and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investments Act, 30 ILCS 235. All investments are fully collateralized.

Interest Rate Risk

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

Concentration of Credit Risk

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

NOTE 3 - DUE TO/FROM OTHER GOVERNMENTAL AGENCIES

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

Due From Other Governmental Agencies:	
Illinois State Board of Education	\$ 709,244
Will County ROE No. 56 - Professional Development Alliance	98,442
School Association for Special Education in DuPage County	24,760
Local school districts	39,793
Kane County Health Department	20,827
	<hr/>
Total	<u>\$ 893,066</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Due To Other Governmental Agencies:
 Local school districts \$ 591,012

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2009 is as follows:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
GOVERNMENTAL FUNDS				
Furniture and equipment	\$ 806,499	\$ 3,596	\$ (16,995)	\$ 793,100
Less: accumulated depreciation	(648,021)	(60,372)	16,995	(691,398)
Capital assets, net	<u>\$ 158,478</u>	<u>\$ (56,776)</u>	<u>\$ -</u>	<u>\$ 101,702</u>
PROPRIETARY FUNDS				
Equipment	\$ 81,505	\$ 7,704	\$ -	\$ 89,209
Less: accumulated depreciation	(32,380)	(15,367)	-	(47,747)
Capital assets, net	<u>\$ 49,125</u>	<u>\$ (7,663)</u>	<u>\$ -</u>	<u>\$ 41,462</u>

NOTE 5 - CAPITAL LEASE

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

The future minimum lease obligations and the net present value of these lease payments as of June 30, 2009, were as follows:

Year Ending June 30	Amount
2010	\$ 11,341
2011	11,341
2012	9,319
2013	555
Total minimum lease payments	32,556
Less: amount representing interest	3,499
Present value of minimum lease payments	<u>\$ 29,057</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6 - SALARIES AND PENSION PLAN CONTRIBUTIONS

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

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

NOTE 7 - RETIREMENT FUND COMMITMENTS

Teachers' Retirement System of the State of Illinois

The Kane County Regional Office of Education No. 31 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains the primary responsibility for funding the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2009, was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2008 and 2007. In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was 0.63 percent during the year ended June 30, 2009, and the member THIS Fund health insurance contribution was 0.84 percent.

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

- **On-behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of the Kane County Regional Office of Education No. 31. For the year ended June 30, 2009, State of Illinois contributions were based on 17.08 percent of creditable earnings not paid from federal funds, and the Kane County Regional Office of Education No. 31 recognized revenue and expenditures of \$44,156 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2008 and June 30, 2007, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 13.11 percent (\$33,796) and 9.78 percent (\$29,522), respectively. The State contributions to TRS for the years ended June 30, 2009 and June 30, 2008 were based on an actuarial formula. The State contribution for the year ended June 30, 2007 was based on a dollar amount specified by the statute and was not actuarially determined.

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

- **2.2 Formula Contributions.** Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The rate is specified by statute. Contributions for the year ended June 30, 2009 were \$1,499. Contributions for the years ended June 30, 2008, and June 30, 2007, were \$1,513 and \$1,751, respectively.
- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and special trust funds administered by the Kane County Regional Office of Education No. 31, there is a statutory requirement for the Kane County Regional Office of Education No. 31 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective for the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS. For the year ended June 30, 2009, the employer pension contribution was 17.08 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2008 and 2007, the employer contribution was 13.11 and 9.78 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2009, salaries totaling \$1,425 were paid from federal and special trust funds that required employer contributions of \$243. For the years ended June 30, 2008 and June 30, 2007, required contributions of Kane County Regional Office of Education No. 31 were \$508 and \$7,599, respectively.
- **Early Retirement Option.** The Kane County Regional Office of Education No. 31 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member and under which ERO program the member retires. Under Public Act 94-0004, a "Pipeline ERO" program was provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they met certain

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

conditions and retired on or before July 1, 2007. If members did not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualified for the Pipeline ERO). Under the Pipeline ERO program, the maximum employer contribution was 100 percent of the member's highest salary used in the final average salary calculation. Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement. For the year ended June 30, 2009, the Kane County Regional Office of Education No. 31 paid \$0 to TRS for employer contributions under the ERO program. For the years ended June 30, 2008 and 2007, the Kane County Regional Office of Education No. 31 did not have any payments to TRS for employer ERO contributions.

- **Salary Increases Over 6 Percent and Excess Sick Leave.** Public Act 94-0004 added two additional employer contributions to TRS.
 - If an employer grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases of up to 6 percent. For the year ended June 30, 2009, the Kane County Regional Office of Education No. 31 paid \$0 to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2008 and June 30, 2007, the Kane County Regional Office of Education No. 31 did not have any payments to TRS for employer contributions due on salary increases in excess of 6 percent.
 - If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (18.67 percent of salary during the year ended June 30, 2009). For the year ended June 30, 2009, the Kane County Regional Office of Education No. 31 paid \$0 to TRS for sick leave days granted in excess of the normal annual allotment. For the years ended June 30, 2008 and June 30, 2007, the Kane County Regional Office of Education No. 31 did not have any payments to TRS for sick leave days granted in excess of the normal annual allotment.

TRS financial information, an explanation of TRS' benefits, and descriptions of member, employer and State funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2008. The report for the year ended June 30, 2009, is expected to be available in late 2009. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Washington Street, Springfield, IL 62794-9253. The most current report is also available on the TRS web site at trs.illinois.gov.

Illinois Municipal Retirement Fund

Plan Description

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

Funding Policy

As set by statute, the Kane County Regional Office of Education No. 31's regular plan members are required to contribute 4.50% of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2008 was 0% of annual covered payroll. The Kane County Regional Office of Education No. 31 also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

For 2008, the Kane County Regional Office of Education No. 31's annual pension cost of \$0 for the regular plan was equal to the Kane County Regional Office of Education No. 31's required and actual contributions.

THREE - YEAR TREND INFORMATION

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/08	\$ -	100%	\$ -
12/31/07	-	100%	-
12/31/06	-	100%	-

The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

December 31, 2005 included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of Kane County Regional Office of Education No. 31 plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor between the actuarial and market value of assets. The Kane County Regional Office of Education No. 31's regular plan's overfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008 was 5 years.

Funded Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the regular plan was 110.80% funded. The actuarial accrued liability for benefits was \$39,659 and the actuarial value of assets was \$43,942, resulting in an overfunded actuarial accrued liability (UAAL) of \$4,283. The covered payroll (annual payroll of active employees covered by the plan) was \$0 and since the plan is overfunded, there is no ratio of the UAAL to the covered payroll.

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

NOTE 8 - ON-BEHALF PAYMENTS

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

Regional Superintendent's salary	\$ 100,762
Regional Superintendent's fringe benefits (includes State paid insurance)	22,421
Assistant Regional Superintendent's salary	90,686
Assistant Regional Superintendent's fringe benefits (includes State paid insurance)	13,016
TRS Contributions	44,156
Total	\$ 271,041

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

NOTE 9 - DEFICIT FUND BALANCES

The following funds have deficit fund balances as of June 30, 2009:

General Fund		
ROE/ISC Operations	\$	16,089
Education Fund		
Technology for Success		2,773
SOS - Q4 Teacher Quality		3,603
Title I - School Improvement & Accountability		15,679
Principal Mentoring		45,736
Preschool Monitoring		21,851
Nonmajor Special Revenue Funds		
Bus Driver Training		109
Nonmajor Proprietary Funds		
Discovery Education United Streaming		1,030
Total Deficit Fund Balances	\$	<u>106,870</u>

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

NOTE 10 - INTERFUND TRANSACTIONS

(a) Due From (To) Other Funds

The following is a summary of amounts due from (to) other funds as of June 30, 2009:

Fund	Due From Other Funds	Due To Other Funds
General Fund - Regional Program Development	\$ -	\$ 29,570
Education Fund - Technology for Success	6,823	-
Education Fund - McKinney Education for Homeless Children	29,570	-
Education Fund - Principal Mentoring	4,250	49,986
Institute Fund	8,950	-
Nonmajor Proprietary Fund - ESC Professional Development Local 2	49,986	13,200
Nonmajor Proprietary Fund - Technology Local	-	6,823
Total	<u>\$ 99,579</u>	<u>\$ 99,579</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(b) Transfers From (To) Other Funds

The composition of interfund transfers for the year ended June 30, 2009 is as follows:

Fund	Transfers-out	Transfers-in
General Fund - Regional Program Development	\$ -	\$ 129,000
Education Fund - General State Aid	2,000	-
Education Fund - Youth Home Education	130,000	-
Institute Fund	-	20,000
Proprietary Funds - ESC Professional Development Local 2	-	51,000
Proprietary Funds - Criminal Background Investigation	50,000	-
Proprietary Funds - Kane County Human Resources Consortium	18,000	-
Total	<u>\$ 200,000</u>	<u>\$ 200,000</u>

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
REQUIRED SUPPLEMENTARY SCHEDULE
JUNE 30, 2009**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/08	\$ 43,942	\$ 39,659	\$ (4,283)	110.80%	\$ -	N/A
12/31/07	46,851	39,535	(7,316)	118.51%	-	N/A
12/31/06	42,971	38,136	(4,835)	112.68%	-	N/A

SUPPLEMENTARY INFORMATION

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
GENERAL FUND
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2009**

SCHEDULE 1

	ROE/ISC Operations	Regional Program Development	Total
ASSETS			
Cash and cash equivalents (overdraft)	\$ (109,024)	\$ 977,384	\$ 868,360
Due from other governmental agencies	106,211	875	107,086
TOTAL ASSETS	(2,813)	978,259	975,446
LIABILITIES AND FUND BALANCES (DEFICIT)			
LIABILITIES			
Accounts payable and accrued expenses	13,276	-	13,276
Due to other funds	-	29,570	29,570
Total liabilities	13,276	29,570	42,846
FUND BALANCES (DEFICIT)			
Unreserved	(16,089)	948,689	932,600
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ (2,813)	\$ 978,259	\$ 975,446

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

SCHEDULE 2

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009**

	ROE/ISC Operations	Regional Program Development	Total
REVENUES			
State sources	\$ 246,211	\$ -	\$ 246,211
Local sources			
Intergovernmental	-	2,614	2,614
Interest	-	8,858	8,858
On-behalf payments	271,041	-	271,041
Total revenues	<u>517,252</u>	<u>11,472</u>	<u>528,724</u>
EXPENDITURES			
Salaries	126,392	-	126,392
Benefits	35,142	-	35,142
Purchased services	81,480	3,392	84,872
Supplies and materials	3,021	4	3,025
Capital expenditures	2,583	-	2,583
Payments to other governments	-	5,000	5,000
On-behalf payments	271,041	-	271,041
Total expenditures	<u>519,659</u>	<u>8,396</u>	<u>528,055</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,407)	3,076	669
OTHER FINANCING SOURCES			
Transfer in	-	129,000	129,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(2,407)	132,076	129,669
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>(13,682)</u>	<u>816,613</u>	<u>802,931</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ (16,089)</u>	<u>\$ 948,689</u>	<u>\$ 932,600</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

SCHEDULE 3

	ROE/ISC Operations		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
State sources	\$ 246,211	\$ 246,211	\$ -
On-behalf payments	-	271,041	271,041
Total revenues	<u>246,211</u>	<u>517,252</u>	<u>271,041</u>
EXPENDITURES			
Salaries	126,402	126,392	10
Benefits	35,101	35,142	(41)
Purchased services	80,000	81,480	(1,480)
Supplies and materials	2,208	3,021	(813)
Capital expenditures	2,500	2,583	(83)
On-behalf payments	-	271,041	(271,041)
Total expenditures	<u>246,211</u>	<u>519,659</u>	<u>(273,448)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>(2,407)</u>	<u>\$ (2,407)</u>
FUND DEFICIT, BEGINNING OF YEAR		<u>(13,682)</u>	
FUND DEFICIT, END OF YEAR		<u>\$ (16,089)</u>	

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2009**

SCHEDULE 4

	Technology for Success	Federal Special Education - IDEA Flow-Through	Regional Safe Schools	General State Aid	ARRA - General State Aid	Truants' Alternative and Optional Education Program (TAOEP)	SOS - Q4 Teacher Quality
ASSETS							
Cash and cash equivalents (overdrafts)	\$ (26,920)	\$ (15,319)	\$ 145,926	\$ 523,643	\$ 56,621	\$ (47,657)	\$ (31,230)
Due from other funds	6,823	-	-	-	-	-	-
Due from other governmental agencies	30,472	24,760	441,576	-	-	130,985	32,890
TOTAL ASSETS	10,375	9,441	587,502	523,643	56,621	83,328	1,660
LIABILITIES AND FUND BALANCES (DEFICIT)							
LIABILITIES							
Accounts payable and accrued expenses	13,148	-	174,797	-	56,621	72,325	5,263
Due to other funds	-	-	-	-	-	-	-
Due to other governmental agencies	-	-	400,455	-	-	-	-
Total liabilities	13,148	-	575,252	-	56,621	72,325	5,263
FUND BALANCES (DEFICIT)							
Unreserved	(2,773)	9,441	12,250	523,643	-	11,003	(3,603)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 10,375	\$ 9,441	\$ 587,502	\$ 523,643	\$ 56,621	\$ 83,328	\$ 1,660

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2009**

**SCHEDULE 4
 (CONTINUED)**

	Title II - Teacher Quality - Leadership	Title I - School Improvement & Accountability	McKinney Education for Homeless Children	Youth Home Education	Principal Mentoring	Preschool Monitoring	Total
ASSETS							
Cash and cash equivalents (overdrafts)	\$ 48,296	\$ 195,821	\$ 38,646	\$ 337,645	\$ -	\$ (18,835)	\$ 1,206,637
Due from other funds	-	-	29,570	-	4,250	-	40,643
Due from other governmental agencies	3,593	61,959	-	-	-	-	726,235
TOTAL ASSETS	51,889	257,780	68,216	337,645	4,250	(18,835)	1,973,515
LIABILITIES AND FUND BALANCES (DEFICIT)							
LIABILITIES							
Accounts payable and accrued expenses	39,927	190,846	3,422	34,135	-	3,016	593,500
Due to other funds	-	-	-	-	49,986	-	49,986
Due to other governmental agencies	-	82,613	-	-	-	-	483,068
Total liabilities	39,927	273,459	3,422	34,135	49,986	3,016	1,126,554
FUND BALANCES (DEFICIT)							
Unreserved	11,962	(15,679)	64,794	303,510	(45,736)	(21,851)	846,961
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 51,889	\$ 257,780	\$ 68,216	\$ 337,645	\$ 4,250	\$ (18,835)	\$ 1,973,515

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31

EDUCATION FUND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2009

SCHEDULE 5

	Technology for Success	Federal Special Education - IDEA Flow-Through	Regional Safe Schools	General State Aid	ARRA - General State Aid	Truants' Alternative and Optional Education Program (TAOEP)	SOS - Q4 Teacher Quality
REVENUES							
Federal sources	\$ -	\$ 93,016	\$ -	\$ -	\$ 103,677	\$ -	\$ -
State sources	78,833	-	971,466	350,697	-	354,985	99,383
Local sources							
Intergovernmental	-	-	-	-	-	-	-
Interest	-	-	352	4,768	-	111	-
Total revenues	78,833	93,016	971,818	355,465	103,677	355,096	99,383
EXPENDITURES							
Salaries	48,248	67,060	241,157	118,092	61,041	252,636	13,280
Benefits	12,879	19,812	78,486	24,552	11,468	79,401	3,491
Purchased services	19,168	5,564	32,541	25,034	30,968	22,743	43,522
Supplies and materials	-	-	1,858	744	200	340	1,255
Capital expenditures	-	-	2,300	-	-	-	-
Payments to other governments	-	-	615,124	-	-	-	38,355
Total expenditures	80,295	92,436	971,466	168,422	103,677	355,120	99,903
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES							
	(1,462)	580	352	187,043	-	(24)	(520)
OTHER FINANCING USES							
Transfers out	-	-	-	(2,000)	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES							
	(1,462)	580	352	185,043	-	(24)	(520)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR							
	(1,311)	8,861	11,898	338,600	-	11,027	(3,083)
FUND BALANCES (DEFICIT), END OF YEAR							
	\$ (2,773)	\$ 9,441	\$ 12,250	\$ 523,643	\$ -	\$ 11,003	\$ (3,603)

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 EDUCATION FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2009

SCHEDULE 5
 (CONTINUED)

	<u>Title II - Teacher Quality - Leadership</u>	<u>Title I - School Improvement & Accountability</u>	<u>McKinney Education for Homeless Children</u>	<u>Youth Home Education</u>	<u>Principal Mentoring</u>	<u>Preschool Monitoring</u>	<u>Total</u>
REVENUES							
Federal sources	\$ 92,561	\$ 534,117	\$ 52,836	\$ -	\$ -	\$ -	\$ 876,207
State sources	-	-	-	588,099	-	28,048	2,471,511
Local sources							
Intergovernmental	-	-	-	-	4,250	-	4,250
Interest	82	1,852	318	3,150	-	-	10,633
Total revenues	<u>92,643</u>	<u>535,969</u>	<u>53,154</u>	<u>591,249</u>	<u>4,250</u>	<u>28,048</u>	<u>3,362,601</u>
EXPENDITURES							
Salaries	-	-	35,407	319,130	-	-	1,156,051
Benefits	-	-	5,714	98,603	-	-	334,406
Purchased services	52,528	339,634	7,883	16,994	41,036	43,000	680,615
Supplies and materials	19,858	91,597	4,013	7,784	-	3,552	131,201
Capital expenditures	-	-	-	-	-	-	2,300
Payments to other governments	11,261	138,790	-	-	-	-	803,530
Total expenditures	<u>83,647</u>	<u>570,021</u>	<u>53,017</u>	<u>442,511</u>	<u>41,036</u>	<u>46,552</u>	<u>3,108,103</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,996	(34,052)	137	148,738	(36,786)	(18,504)	254,498
OTHER FINANCING USES							
Transfers out	-	-	-	(130,000)	-	-	(132,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	8,996	(34,052)	137	18,738	(36,786)	(18,504)	122,498
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>2,966</u>	<u>18,373</u>	<u>64,657</u>	<u>284,772</u>	<u>(8,950)</u>	<u>(3,347)</u>	<u>724,463</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 11,962</u>	<u>\$ (15,679)</u>	<u>\$ 64,794</u>	<u>\$ 303,510</u>	<u>\$ (45,736)</u>	<u>\$ (21,851)</u>	<u>\$ 846,961</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 EDUCATION FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2009**

SCHEDULE 6

	<u>Technology for Success</u>			<u>Regional Safe Schools</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES						
State sources	\$ 78,833	\$ 78,833	\$ -	\$ 971,466	\$ 971,466	\$ -
Local sources						
Interest	-	-	-	-	352	352
Total revenues	<u>78,833</u>	<u>78,833</u>	<u>-</u>	<u>971,466</u>	<u>971,818</u>	<u>352</u>
EXPENDITURES						
Salaries	48,000	48,248	(248)	245,984	241,157	4,827
Benefits	11,860	12,879	(1,019)	108,260	78,486	29,774
Purchased services	18,973	19,168	(195)	29,999	32,541	(2,542)
Supplies and materials	-	-	-	2,000	1,858	142
Capital expenditures	-	-	-	5,000	2,300	2,700
Payments to other governments	-	-	-	580,223	615,124	(34,901)
Total expenditures	<u>78,833</u>	<u>80,295</u>	<u>(1,462)</u>	<u>971,466</u>	<u>971,466</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>(1,462)</u>	<u>\$ (1,462)</u>	<u>\$ -</u>	<u>352</u>	<u>\$ 352</u>
FUND BALANCES (DEFICIT), BEGINNING OF YEAR		<u>(1,311)</u>			<u>11,898</u>	
FUND BALANCES (DEFICIT), END OF YEAR		<u>\$ (2,773)</u>			<u>\$ 12,250</u>	

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 EDUCATION FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2009

SCHEDULE 6
 (CONTINUED)

	Truants' Alternative and Optional Education Program (TAOEP)			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State sources	\$ 354,985	\$ 354,985	\$ -	\$ 1,405,284	\$ 1,405,284	\$ -
Local sources						
Interest	-	111	111	-	463	463
Total revenues	<u>354,985</u>	<u>355,096</u>	<u>111</u>	<u>1,405,284</u>	<u>1,405,747</u>	<u>463</u>
EXPENDITURES						
Salaries	255,261	252,636	2,625	549,245	542,041	7,204
Benefits	79,024	79,401	(377)	199,144	170,766	28,378
Purchased services	20,200	22,743	(2,543)	69,172	74,452	(5,280)
Supplies and materials	500	340	160	2,500	2,198	302
Capital expenditures	-	-	-	5,000	2,300	2,700
Payments to other governments	-	-	-	580,223	615,124	(34,901)
Total expenditures	<u>354,985</u>	<u>355,120</u>	<u>(135)</u>	<u>1,405,284</u>	<u>1,406,881</u>	<u>(1,597)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>(24)</u>	<u>\$ (24)</u>	<u>\$ -</u>	<u>(1,134)</u>	<u>\$ (1,134)</u>
FUND BALANCES (DEFICIT), BEGINNING OF YEAR		<u>11,027</u>			<u>21,614</u>	
FUND BALANCES (DEFICIT), END OF YEAR		<u>\$ 11,003</u>			<u>\$ 20,480</u>	

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

SCHEDULE 7

	<u>GED</u>	<u>Bus Driver Training</u>	<u>Supervisory</u>	<u>Local Truancy</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents (overdraft)	\$ 57,691	\$ (983)	\$ 39	\$ 184,714	\$ 241,461
Accounts receivable	6,306	878	-	-	7,184
Due from other governmental agencies	483	-	-	-	483
TOTAL ASSETS	<u>64,480</u>	<u>(105)</u>	<u>39</u>	<u>184,714</u>	<u>249,128</u>
LIABILITIES AND FUND BALANCES (DEFICIT)					
LIABILITIES					
Accounts payable and accrued expenses	<u>8,468</u>	<u>4</u>	<u>-</u>	<u>22,318</u>	<u>30,790</u>
FUND BALANCES (DEFICIT)					
Unreserved	<u>56,012</u>	<u>(109)</u>	<u>39</u>	<u>162,396</u>	<u>218,338</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 64,480</u>	<u>\$ (105)</u>	<u>\$ 39</u>	<u>\$ 184,714</u>	<u>\$ 249,128</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31

SCHEDULE 8

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2009

	GED	Bus Driver Training	Supervisory	Local Truancy	Total
REVENUES					
State sources	\$ -	\$ 2,655	\$ 1,000	\$ -	\$ 3,655
Local sources					
Fees for services	67,339	6,318	-	14,475	88,132
Interest	1,132	36	5	1,647	2,820
Total revenues	<u>68,471</u>	<u>9,009</u>	<u>1,005</u>	<u>16,122</u>	<u>94,607</u>
EXPENDITURES					
Salaries	21,019	-	-	-	21,019
Benefits	5,949	-	-	-	5,949
Purchased services	23,690	8,205	1,000	615	33,510
Supplies and materials	21,657	182	-	245	22,084
Payments to other governments	-	-	-	20,000	20,000
Total expenditures	<u>72,315</u>	<u>8,387</u>	<u>1,000</u>	<u>20,860</u>	<u>102,562</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,844)	622	5	(4,738)	(7,955)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>59,856</u>	<u>(731)</u>	<u>34</u>	<u>167,134</u>	<u>226,293</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 56,012</u>	<u>\$ (109)</u>	<u>\$ 39</u>	<u>\$ 162,396</u>	<u>\$ 218,338</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2009**

SCHEDULE 9

	ESC Professional Development Local 2	Visual Media Cooperative	Technology	Local Counselors Academy	Criminal Background Investigation
ASSETS					
Current assets					
Cash and cash equivalents	\$ 38,357	\$ 49,995	\$ 29,476	\$ 45,523	\$ 55,408
Accounts receivable	5,173	-	7,073	3,156	2,820
Due from other funds	49,986	-	-	-	-
Due from other governmental agencies	1,125	-	-	-	-
Total current assets	94,641	49,995	36,549	48,679	58,228
Noncurrent assets					
Capital assets, net	24,045	-	14,590	338	2,489
TOTAL ASSETS	118,686	49,995	51,139	49,017	60,717
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	10,560	-	-	2,480	34,031
Due to other funds	13,200	-	6,823	-	-
Due to other governmental agencies	-	37,107	-	-	-
Leases payable	7,789	-	-	-	-
Total current liabilities	31,549	37,107	6,823	2,480	34,031
Noncurrent liabilities					
Leases payable	16,041	-	-	-	-
TOTAL LIABILITIES	47,590	37,107	6,823	2,480	34,031
NET ASSETS					
Invested in capital assets, net of related debt	215	-	14,590	338	2,489
Unrestricted	70,881	12,888	29,726	46,199	24,197
TOTAL NET ASSETS	\$ 71,096	\$ 12,888	\$ 44,316	\$ 46,537	\$ 26,686

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2009**

**SCHEDULE 9
(CONTINUED)**

	<u>Kane County Human Resources Consortium</u>	<u>Kane County Library Resources Consortium</u>	<u>Discovery Education United Streaming</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 65,754	\$ 35,133	\$ 5,220	\$ 324,866
Accounts receivable	-	-	-	18,222
Due from other funds	-	-	-	49,986
Due from other governmental agencies	22,000	15,310	-	38,435
Total current assets	<u>87,754</u>	<u>50,443</u>	<u>5,220</u>	<u>431,509</u>
Noncurrent assets				
Capital assets, net	-	-	-	41,462
TOTAL ASSETS	<u>87,754</u>	<u>50,443</u>	<u>5,220</u>	<u>472,971</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	-	-	6,250	53,321
Due to other funds	-	-	-	20,023
Due to other governmental agencies	-	-	-	37,107
Leases payable	-	-	-	7,789
Total current liabilities	<u>-</u>	<u>-</u>	<u>6,250</u>	<u>118,240</u>
Noncurrent liabilities				
Leases payable	-	-	-	16,041
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>6,250</u>	<u>134,281</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	-	-	17,632
Unrestricted	<u>87,754</u>	<u>50,443</u>	<u>(1,030)</u>	<u>321,058</u>
TOTAL NET ASSETS	<u>\$ 87,754</u>	<u>\$ 50,443</u>	<u>\$ (1,030)</u>	<u>\$ 338,690</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

SCHEDULE 10

	ESC Professional Development Local 2	Visual Media Cooperative	Technology	Local Counselors Academy	Criminal Background Investigation
OPERATING REVENUES					
Local sources					
Intergovernmental	\$ 76,191	\$ -	\$ -	\$ -	\$ -
Fees for services	-	-	446	38,643	204,362
Total operating revenues	<u>76,191</u>	<u>-</u>	<u>446</u>	<u>38,643</u>	<u>204,362</u>
OPERATING EXPENSES					
Purchased services	45,334	-	3,844	28,133	164,355
Supplies and materials	6,896	-	592	905	1,495
Depreciation	8,747	-	2,714	119	3,356
Capital expenditures	-	-	3,354	-	13,077
Total operating expenses	<u>60,977</u>	<u>-</u>	<u>10,504</u>	<u>29,157</u>	<u>182,283</u>
OPERATING INCOME (LOSS)	15,214	-	(10,058)	9,486	22,079
NONOPERATING REVENUES					
Interest	307	893	220	413	535
INCOME (LOSS) BEFORE OPERATING TRANSFERS	15,521	893	(9,838)	9,899	22,614
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	51,000	-	-	-	(50,000)
CHANGES IN NET ASSETS	66,521	893	(9,838)	9,899	(27,386)
NET ASSETS, BEGINNING OF YEAR	4,575	11,995	54,154	36,638	54,072
NET ASSETS, END OF YEAR	<u>\$ 71,096</u>	<u>\$ 12,888</u>	<u>\$ 44,316</u>	<u>\$ 46,537</u>	<u>\$ 26,686</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

**SCHEDULE 10
(CONTINUED)**

	<u>Kane County Human Resources Consortium</u>	<u>Kane County Library Resources Consortium</u>	<u>Discovery Education United Streaming</u>	<u>Total</u>
OPERATING REVENUES				
Local sources				
Intergovernmental	\$ 49,000	\$ 65,082	\$ 2,750	\$ 193,023
Fees for services	-	-	-	243,451
Total operating revenues	<u>49,000</u>	<u>65,082</u>	<u>2,750</u>	<u>436,474</u>
OPERATING EXPENSES				
Purchased services	31,215	18,236	-	291,117
Supplies and materials	-	-	-	9,888
Depreciation	431	-	-	15,367
Capital expenditures	-	-	-	16,431
Total operating expenses	<u>31,646</u>	<u>18,236</u>	<u>-</u>	<u>332,803</u>
OPERATING INCOME (LOSS)	17,354	46,846	2,750	103,671
NONOPERATING REVENUES				
Interest	642	95	-	3,105
INCOME (LOSS) BEFORE OPERATING TRANSFERS	17,996	46,941	2,750	106,776
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(18,000)</u>	<u>-</u>	<u>-</u>	<u>(17,000)</u>
CHANGES IN NET ASSETS	(4)	46,941	2,750	89,776
NET ASSETS, BEGINNING OF YEAR	<u>87,758</u>	<u>3,502</u>	<u>(3,780)</u>	<u>248,914</u>
NET ASSETS, END OF YEAR	<u>\$ 87,754</u>	<u>\$ 50,443</u>	<u>\$ (1,030)</u>	<u>\$ 338,690</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

SCHEDULE 11

	ESC Professional Development Local 2	Visual Media Cooperative	Technology	Local Counselors Academy	Criminal Background Investigation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts for workshops and services	\$ 71,468	\$ -	\$ 100,845	\$ 37,268	\$ 201,542
Payments to suppliers	(88,440)	-	(109,869)	(27,443)	(146,516)
Net cash provided by (used in) operating activities	(16,972)	-	(9,024)	9,825	55,026
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:					
Transfers from (to) other funds	51,000	-	-	-	(50,000)
Net cash provided by (used in) noncapital financing activities	51,000	-	-	-	(50,000)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Purchase of capital assets	-	-	(6,514)	-	(1,190)
Principal paid on capital lease obligations	(7,348)	-	-	-	-
Net cash used in capital financing activities	(7,348)	-	(6,514)	-	(1,190)
CASH FLOWS FROM INVESTING ACTIVITY:					
Interest	307	893	220	413	535
Net cash provided by investing activity	307	893	220	413	535
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,987	893	(15,318)	10,238	4,371
CASH AND CASH EQUIVALENTS (OVERDRAFT), BEGINNING OF YEAR	11,370	49,102	44,794	35,285	51,037
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 38,357	\$ 49,995	\$ 29,476	\$ 45,523	\$ 55,408
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 15,214	\$ -	\$ (10,058)	\$ 9,486	\$ 22,079
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	8,747	-	2,714	119	3,356
Effects of changes in assets and liabilities:					
Accounts receivable	(4,723)	-	(7,073)	(2,825)	(2,820)
Due from (to) other funds	(36,786)	-	6,823	-	-
Due from other governmental agencies	-	-	107,472	1,450	-
Accounts payable and accrued expenses	8,576	-	(108,902)	1,595	32,411
Due to other governmental agencies	(8,000)	-	-	-	-
Deferred revenues	-	-	-	-	-
Net cash provided by (used in) operating activities	\$ (16,972)	\$ -	\$ (9,024)	\$ 9,825	\$ 55,026

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

**SCHEDULE 11
(CONTINUED)**

	<u>Kane County Human Resources Consortium</u>	<u>Kane County Library Resources Consortium</u>	<u>Discovery Education United Streaming</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for workshops and services	\$ 61,000	\$ 43,143	\$ 77,750	\$ 593,016
Payments to suppliers	(31,215)	(50,117)	(72,500)	(526,100)
Net cash provided by (used in) operating activities	<u>29,785</u>	<u>(6,974)</u>	<u>5,250</u>	<u>66,916</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:				
Transfers from (to) other funds	(18,000)	-	-	(17,000)
Net cash provided by (used in) noncapital financing activities	<u>(18,000)</u>	<u>-</u>	<u>-</u>	<u>(17,000)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Purchase of capital assets	-	-	-	(7,704)
Principal paid on capital lease obligations	-	-	-	(7,348)
Net cash used in capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,052)</u>
CASH FLOWS FROM INVESTING ACTIVITY:				
Interest	642	95	-	3,105
Net cash provided by investing activity	<u>642</u>	<u>95</u>	<u>-</u>	<u>3,105</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>12,427</u>	<u>(6,879)</u>	<u>5,250</u>	<u>37,969</u>
CASH AND CASH EQUIVALENTS (OVERDRAFT), BEGINNING OF YEAR	<u>53,327</u>	<u>42,012</u>	<u>(30)</u>	<u>286,897</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 65,754</u>	<u>\$ 35,133</u>	<u>\$ 5,220</u>	<u>\$ 324,866</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 17,354	\$ 46,846	\$ 2,750	\$ 103,671
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	431	-	-	15,367
Effects of changes in assets and liabilities:				
Accounts receivable	-	-	-	(17,441)
Due from (to) other funds	-	-	-	(29,963)
Due from other governmental agencies	12,000	42,264	75,000	238,186
Accounts payable and accrued expenses	-	(31,881)	(72,500)	(170,701)
Due to other governmental agencies	-	-	-	(8,000)
Deferred revenues	-	(64,203)	-	(64,203)
Net cash provided by (used in) operating activities	<u>\$ 29,785</u>	<u>\$ (6,974)</u>	<u>\$ 5,250</u>	<u>\$ 66,916</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

SCHEDULE 12

	<u>Payroll</u>	<u>Juvenile Drug Court</u>	<u>Distributive</u>	<u>Kane Cares</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents (overdraft)	\$ 60,539	\$ 6,290	\$ 4,008	\$ (20,584)	\$ 50,253
Due from other governmental agencies	-	-	-	20,827	20,827
TOTAL ASSETS	<u>60,539</u>	<u>6,290</u>	<u>4,008</u>	<u>243</u>	<u>71,080</u>
LIABILITIES					
Accounts payable and accrued expenses	-	-	-	243	243
Due to other governmental agencies	60,539	6,290	4,008	-	70,837
TOTAL LIABILITIES	<u>\$ 60,539</u>	<u>\$ 6,290</u>	<u>\$ 4,008</u>	<u>\$ 243</u>	<u>\$ 71,080</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 FIDUCIARY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009**

SCHEDULE 13

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
PAYROLL				
ASSETS				
Cash and cash equivalents	\$ 13,067	\$ 1,884,097	\$ 1,836,625	\$ 60,539
LIABILITIES				
Due to other governmental agencies	\$ 13,067	\$ 1,884,097	\$ 1,836,625	\$ 60,539
JUVENILE DRUG COURT				
ASSETS				
Cash and cash equivalents	\$ 3,693	\$ 43,820	\$ 41,223	\$ 6,290
Due from other governmental agencies	7,862	-	7,862	-
	<u>11,555</u>	<u>43,820</u>	<u>49,085</u>	<u>6,290</u>
LIABILITIES				
Due to other governmental agencies	\$ 11,555	\$ 43,820	\$ 49,085	\$ 6,290
DISTRIBUTIVE				
ASSETS				
Cash and cash equivalents	\$ 3,655	\$ 1,852,796	\$ 1,852,443	\$ 4,008
LIABILITIES				
Due to other governmental agencies	\$ 3,655	\$ 1,852,796	\$ 1,852,443	\$ 4,008
KANE CARES				
ASSETS				
Cash and cash equivalents (overdraft)	\$ -	\$ 248	\$ 20,832	\$ (20,584)
Due from other governmental agencies	-	20,827	-	20,827
	<u>-</u>	<u>21,075</u>	<u>20,832</u>	<u>243</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ -	\$ 21,075	\$ 20,832	\$ 243
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 20,415	\$ 3,780,961	\$ 3,751,123	\$ 50,253
Due from other governmental agencies	7,862	20,827	7,862	20,827
	<u>28,277</u>	<u>3,801,788</u>	<u>3,758,985</u>	<u>71,080</u>
LIABILITIES				
Accounts payable and accrued expenses	-	21,075	20,832	243
Due to other governmental agencies	28,277	3,780,713	3,738,153	70,837
	<u>\$ 28,277</u>	<u>\$ 3,801,788</u>	<u>\$ 3,758,985</u>	<u>\$ 71,080</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT
TREASURERS AND OTHERS
FOR THE YEAR ENDED JUNE 30, 2009**

SCHEDULE 14

Valley Education for Employment System

Vocational Education - Career and Tech. Grant	\$ 91,670
Vocational Education - Career and Technical Education Improvement	1,206,521
Vocational Education - Agriculture Education	28,583
	<u>525,669</u>
	<u>\$ 1,852,443</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

SCHEDULE 15

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2009 Expenditures
<u>DEPARTMENT OF EDUCATION</u>			
Special Education_ Grants to States Passed-Through Northern Suburban Special Education District <i>Federal Special Education - IDEA Flow-Through</i>	84.027A	2009-4630-01	<u>\$ 92,436</u>
Improving Teacher Quality State Grants Passed-Through Will County Regional Office of Education No. 56 <i>Title II - Teacher Quality - Leadership</i>	84.367A	2009-4935-SS	<u>83,647</u>
Title I Grants to Local Educational Agencies Passed-Through Will County Regional Office of Education No. 56 <i>Title I - School Improvement & Accountability</i>	(M) 84.010A	2009-4331-SS	<u>534,117</u>
Education for Homeless Children and Youth Passed-Through Will County Regional Office of Education No. 56 <i>McKinney Education for Homeless Children</i>	84.196A	2009-4920-00	<u>52,836</u>
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (Education Stabilization Fund) Passed-Through Illinois State Board of Education <i>ARRA - General State Aid</i>	(M) 84.394A	2009-4850-93	<u>103,677</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 866,713</u>

(M) Program was audited as a major program

The accompanying notes are an integral part of this schedule.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Note 1. Reporting Entity Basis of Presentation and Accounting

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

Note 2. Subrecipients

Not Applicable.

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

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

ARRA - General State Aid was allocated through the State Fiscal Stabilization Funds (SFSF) section of the American Recovery and Reinvestment Act (ARRA). These funds will help stabilize the possible impact of the State's current fiscal deficit upon payment of general State aid to school districts.

Note 4. Non-Cash Assistance

Not Applicable.

Note 5. Amount of Insurance

Not Applicable.

Note 6. Loans or Loan Guarantees Outstanding

Not Applicable.