

**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, 2005**

Performed as Special Assistant Auditors  
for the Office of the Auditor General

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)

Dr. Clem Mejia

Associate Regional Superintendent  
(current and during the audit period)

Ms. Julie Vallejo

Office is located at:

210 S. Sixth Street,  
Geneva, Illinois, 60134

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
JUNE 30, 2005**

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

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

**SUMMARY OF FINDINGS AND QUESTIONED COSTS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Prior Finding Code</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
05-1	12	Controls Over Compliance with Laws and Regulations	04-1
05-2	16	Improper and Incomplete Accounting of On-behalf Payments of Payroll Costs	N/A
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)			
05-3	19	Quarterly Expenditure Reports not Submitted Timely	N/A

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
JUNE 30, 2005**

**SUMMARY OF FINDINGS AND QUESTIONED COSTS** (Continued)

Item No.	Page	<u>Description</u>
		PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS) None
		PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE) None

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on December 6, 2005 held at the Kane County Regional Office of Education No. 31, 210 South Sixth Street, Geneva, Illinois 60134. Representing the ROE were Clem Mejia, Regional Superintendent, Paul Anderson, Director of Finance, Phil Morris, Manager of Technology and Vicki Rissingger, Finance Staff. Representing E. C. Ortiz & Co., LLP were Stella B. Santos, Partner and Leilani N. Rodrigo, Manager. Responses to the recommendations were provided by Clem Mejia in a letter dated January 19, 2006.

## FINANCIAL STATEMENT REPORT

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### Financial Presentation Examined

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

The financial statement report is comprised of the following:

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

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### Auditors' Reports

- An Auditors' Reports section containing statements by the auditors on the scope and results of their audit, as required by applicable professional standards.

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### Findings and Recommendations

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

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

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### Financial Statements

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

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



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

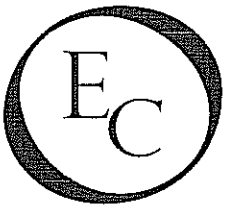
**FINANCIAL STATEMENT REPORT**

**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 agency's basic financial statements.





## INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kane County Regional Office of Education No. 31, as of and for the year ended June 30, 2005, 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 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, 2005, 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 October 28, 2005 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.

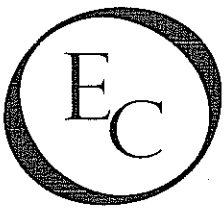
The Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 29 to 35 and page 66 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States 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 non-major fund financial statements, budgetary comparison schedules and Schedule of Disbursements to School District Treasurers and Other Entities 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 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 Other Entities, 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  
October 28, 2005



**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, 2005, which collectively comprise the Kane County Regional Office of Education No. 31's basic financial statements and have issued our report thereon dated October 28, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Kane County Regional Office of Education No. 31's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 05-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

**Compliance and Other Matters**

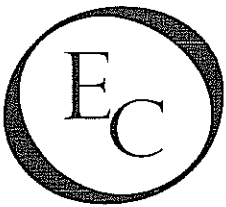
As part of obtaining reasonable assurance about whether the Kane County Regional Office of Education No. 31's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements,

noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance which is required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*, to be reported on the accompanying Schedule of Findings and Questioned Costs as item 05-1.

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

*E. C. Ortiz & Co. LLP*

Chicago, Illinois  
October 28, 2005



**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, 2005. The Kane County Regional Office of Education No. 31's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Kane County Regional Office of Education No. 31's management. Our responsibility is to express an opinion on the Kane County Regional Office of Education No. 31's compliance based on our audit.

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

In our opinion, the Kane County Regional Office of Education No. 31 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

**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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses. However, we noted other matters involving internal control over compliance with major program requirements which are required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*, to be reported on the accompanying Schedule of Findings and Questioned Costs as item 05-3.

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

*E. C. Ostig & Co. LLP*

Chicago, Illinois  
October 28, 2005





**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Part I: Summary of Auditors' Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weakness(es)?   X   Yes \_\_\_\_\_ None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.318X	Technology - Enhancing Education - Competitive
84.196A	McKinney Education for Homeless Children
84.010A	Title I - School Improvement & Accountability
16.585	Youth Home Education

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

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Part II: Findings Related to the Financial Statements**

**FINDING NO. 05-1 - Controls Over Compliance with Laws and Regulations (Section A. is Repeated from Finding 04-01)**

*Criteria/Specific Requirements:*

- A. The Illinois Administrative Code (23 Ill. Adm. Code 110.115) states that fees for conferences, workshops, materials and other costs charged for discretionary activities not required by law or rule are to be determined on a cost-recovery basis. Excess funds resulting from registrations or request for materials/services beyond the anticipated cost-recovery basis shall be deposited in an Enterprise Fund to be used solely to reduce the cost of similar items or to cover costs incurred due to less-than-anticipated registrations or requests for materials/services.
  
- B. The Illinois School Code 105 ILCS 5/3-14.11 states that the Regional Superintendent shall examine at least once each year all books, accounts, and vouchers of every school treasurer in his educational service region, and if he finds any irregularities in them, to report them at once, in writing, to the trustees in Class II county school units, to the respective school boards of those school districts which form a part of a Class II county school unit but which are not subject to the jurisdiction of the trustees of schools of any township in which any such district is located, or to the respective school boards of the district in Class I county school units whose duty it shall be to take immediately such action as the case demands.

This mandate has existed in its current form since at least 1953.

*Condition:*

- A. Kane County Regional Office of Education No. 31 enterprise fund accounts had net assets of \$614,592 as of June 30, 2005. Total revenues and expenditures for fiscal year 2005 amounted to \$297,198 and \$292,184, respectively. The ROE does not have formal cost-recovery pricing procedures to ensure that fees charged approximate costs incurred. We noted in 17 invoice billings that the agreed mark-up with the customers was not consistently applied. For example, equipment items were purchased by the ROE and sold to school districts at an agreed mark-up of 3%. Our comparison of sales price per invoices to school districts and corresponding cost per vendor invoices showed gross profit rates ranging from 2% to 22%.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**FINDING NO. 05-1 - Controls Over Compliance with Laws and Regulations** (Section A. is Repeated from Finding 04-01) (Continued)

- B. Kane County Regional Office of Education No. 31 is not examining all books, accounts, and vouchers of every school treasurer in its educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in his region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

While these are reviews involving the finances of school treasurers, they are not in the level of detail required by 105 ILCS 5/3-14.11.

*Effect:*

- A. Failure to comply with Illinois Administrative Code.
- B. The Regional Office of Education No. 31 did not comply with statutory requirements.

*Cause:*

- A. Kane County Regional Office of Education No. 31's management stated that fees were allowed to accumulate and the excess funds were not used to reduce the future costs of programs due to an uncertainty about funding for these activities on a year-to-year basis. The ROE has not completed its cost analysis in fiscal year 2005 to develop a formal cost-recovery pricing methodology and identify programs or items on which to apply the excess funds. The varying mark-up percentages are due to pricing errors and volume discounts not considered in the invoice billings.
- B. Kane County Regional Office of Education No. 31's management stated that the procedures currently being performed are deemed sufficient to comply with this mandate.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**FINDING NO. 05-1 - Controls Over Compliance with Laws and Regulations** (Section A. is Repeated from Finding 04-01) (Continued)

*Auditor's Recommendation:*

- A. Kane County Regional Office of Education No. 31 should ensure it complies with all applicable provisions of the Illinois Compiled Statutes and administrative rules. A formal cost-recovery pricing procedure should be developed and implemented consistently. The ROE may consider preparing a price list of items/materials available for sale to ensure prices used in the invoices are correct. The invoices should be reviewed for accuracy.
- B. Kane County Regional Office of Education No. 31 should comply with the requirements of 105 ILCS 5/3-14.11. If the Regional Office believes the statutory mandate is obsolete or otherwise unnecessary, then it should seek legislative action to revise the statute accordingly.

*Management's Response:*

- A. We agree with the recommendations. Cost recovery guidelines were developed during the 2004-2005 FY and a draft form was discussed by management. We did update our ROE Contract Form for 2004-2005, but never fully implemented the cost-recovery form and procedures. As of December of 2005, we have a fully developed cost-recovery form and procedures in place. We have gone back to all events since July 1 of 2005 to ensure that a cost-recovery form is utilized and consistently applied for this fiscal year 2005-2006.
- B. In 1953, there were 102 county superintendents and their duties were a lot less numerous than today. Few schools had budgets that exceeded \$500,000. Under such conditions, this law probably made sense. During the past 50+ years, various practices have evolved eliminating the need for this type of monitoring. In the 21<sup>st</sup> century, all schools have multi-million dollar budgets that are: 1.) audited annually by professionally certified outside auditing firms; 2.) audits are filed for public record and inspection; and 3.) this is tracked through the process by the procedures mentioned above in the section titled "Condition". Requiring the ROE's to do another review would be redundant, costly, and require the hiring of teams of new staff members in each ROE to carry out the task. The latter begs the question of which level(s) of government would bear the cost to carry out this task and how costly might that be to reinstitute the practice?

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**FINDING NO. 05-1 - Controls Over Compliance with Laws and Regulations** (Section A. is Repeated from Finding 04-01) (Continued)

We are grateful for the OAG's assistance in calling this to our collective attention because it provides the Regional Offices of Education with additional justification to request that the General Assembly delete this and other obsolete sections from the statutes. We will seek a legislative solution to this and other obsolete passages.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**FINDING NO. 05-2 - Improper and Incomplete Accounting of On-behalf Payments of Payroll Costs**

*Criteria/Specific Requirements:*

Governmental Accounting Standards Board (GASB) Statement No. 24 requires employer governments to recognize revenue and expenditures or expenses for on-behalf payments. The Statement defines on-behalf payments for fringe benefits and salaries as direct payments made by one entity (the paying entity) to a third-party recipient for the employees of another, legally separate entity (the employer entity). The ROE Accounting Manual requires on-behalf revenues and expenditures to be reported in the financial statements in equal amounts. In addition, generally accepted accounting principles require proper matching of costs and revenues.

*Condition:*

The salaries of the Regional Superintendent and the Associate Regional Superintendent are paid by the State of Illinois. The salaries of all other employees of the Kane County Regional Office of Education No. 31 are paid by Kane County. Pension plan contributions associated with these salaries are also paid either by the State of Illinois or by Kane County. The Kane County Regional Office of Education No. 31 reimburses Kane County for the salaries paid as well as the employer contributions made to the Illinois Municipal Retirement Fund (IMRF) of direct program personnel and a portion of the administrative and support staff salaries.

We noted that the ROE determines the administrative and support staff salaries by computing a monthly clerical average payroll cost and applying that average to a predetermined percentage by program. The ROE then reimburses the County for a portion of these computed salaries based on the annual County budget.

We compared the total administrative and support salaries computed by the ROE with the County payroll reports for fiscal year 2005. Total gross salaries per County payroll reports for ROE administrative and support personnel for fiscal year 2005 amounted to \$401,979. The ROE reimbursed the County for \$180,808 of these salaries. The difference represents the on-behalf payments made by the County that amounted to \$221,171. Of this amount, only \$111,938 was recorded by the ROE as on-behalf revenues and expenditures.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**FINDING NO. 05-2 - Improper and Incomplete Accounting of On-behalf Payments of Payroll Costs** (Continued)

We also noted that the ROE recorded the revenues and expenditures in separate fund accounts instead of the same fund accounts as follows:

Fund Number	Fund Name	Revenues (Expenditure) Amounts *
199309	Regional Program Development	\$ 111,938
199307	Juvenile Justice Center Administration	(55,969)
199317	Kane County Visual Media Cooperative Academy	(18,656)
199319	Local Academy	(37,313)

\* Reflects gross payroll amounts and does not include related employee benefits.

While total revenues equal total expenditures, there is not a proper matching of revenues and expenses for these on-behalf payments in the same fund. Revenues and expenditures of equal amounts should be recognized in the same funds.

*Effect:*

On-behalf revenues and expenditures recognized in the books are understated by \$109,233. The funds credited for revenues and charged for expenditures for the recorded on-behalf payments presented in the table above are overstated.

*Cause:*

The Kane County Regional Office of Education No. 31's management stated that this has been the practice in previous years and on behalf revenues and expenditures in total are still of equal amounts.

*Auditor's Recommendation:*

The Kane County Regional Office of Education No. 31 should recognize on-behalf revenues and expenditures in equal amounts in the same funds in the financial statements. A reconciliation of the computed administrative and support payroll costs with the actual payroll paid by the County should be performed to ensure completeness and accuracy of amounts recorded.



**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**FINDING NO. 05-2 - Improper and Incomplete Accounting of On-behalf Payments of Payroll Costs** (Continued)

*Management's Response:*

We agree with the recommendations. Four employees on the Kane County payroll have been moved to the ROE payroll to more closely equal the payroll to the Kane County budget. Instead of averages, only actual salaries and benefits will be charged to the programs. Also, the movement of revenues into the Regional Development Fund and expensing other local funds has been ended. Now all payroll payments will be made directly to the Kane County Treasurer. The Payroll accounts will be monitored periodically to assure accuracy and compliance. In addition, we will investigate the possibility of a software package that could automate and improve the payroll process since presently the payroll is generated by a Lotus spreadsheet and entered and recorded manually in to the accounting software.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Part III. Findings and Questioned Costs for Federal Awards**

Federal Program Name: Education Technology State Grants  
Project Name: Technology - Enhancing Education - Competitive  
Project No.: 05-4972-00  
CFDA No.: 84.318X  
Pass Through Agency: Illinois State Board of Education  
Federal Agency: U. S. Department of Education

Federal Program Name: Education for Homeless Children and Youth  
Project Name: McKinney Education for Homeless Children  
Project No.: 05-4920-00  
CFDA No.: 84.196A  
Pass Through Agency: Illinois State Board of Education  
Federal Agency: U. S. Department of Education

Federal Program Name: Temporary Assistance for Needy Families  
Project Name: Regional Safe Schools - General State Aid (TANF)  
Project No.: 05-3001-93  
CFDA No.: 93.558  
Pass Through Agency: Illinois State Board of Education  
Federal Agency: U. S. Department of Health and Human Services

**FINDING NO. 05-3 - Quarterly Expenditure Reports not Submitted Timely**

*Criteria/Specific Requirements:*

The financial and reporting requirements section of the grant agreement states that quarterly expenditure reports are due (electronically through the ISBE Web Application Security (IWAS)) by the end of the following month of each State fiscal year quarter.

*Condition:*

Kane County Regional Office of Education No. 31 did not timely submit the required quarterly expenditure reports for its grant programs passed through the Illinois State Board of Education.

During our detailed testing of the grants passed through ISBE, we noted the following submission dates for the Quarterly Expenditure Reports:

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Part III. Findings and Questioned Costs for Federal Awards (Continued)**

**FINDING NO. 05-3 - Quarterly Expenditure Reports not Submitted Timely (Continued)**

Regional Safe Schools (Project No. 05-3001-93)

<u>Quarterly Reports</u>	<u>Due Date</u>	<u>Date Submitted</u>	<u>Days delayed</u>
September 30, 2004	October 31, 2004	December 7, 2004	37
December 31, 2004	January 31, 2005	February 8, 2005	8
March 31, 2005	April 30, 2005	May 3, 2005	3
June 30, 2005	July 31, 2005	August 2, 2005	2

McKinney Education for Homeless Children (Project No. 05-4920-00)

<u>Quarterly Reports</u>	<u>Due Date</u>	<u>Date Submitted</u>	<u>Days delayed</u>
September 30, 2004	None required	Not applicable *	-
December 31, 2004	January 31, 2005	February 1, 2005	1
March 31, 2005	April 30, 2005	May 12, 2005	12
June 30, 2005	July 31, 2005	August 4, 2005	4

Technology - Enhancing Education - Competitive (Project No. 05-4972-00)

<u>Quarterly Reports</u>	<u>Due Date</u>	<u>Date Submitted</u>	<u>Days delayed</u>
September 30, 2004	None required	Not applicable *	-
December 31, 2004	January 31, 2005	February 4, 2005	4
March 31, 2005	April 30, 2005	May 3, 2005	3
June 30, 2005	July 31, 2005	August 24, 2005	24

\* Funding received only in the second quarter of fiscal year 2005.

Questioned Costs:

None

Context:

The total expenditures for these programs for fiscal year 2005 were as follows:

<u>Project No.</u>	<u>Amount</u>
05-3001-93	\$ 33,706
05-4920-00	341,540
05-4972-00	598,680
Total	<u>\$ 973,926</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Part III. Findings and Questioned Costs for Federal Awards** (Continued)

**FINDING NO. 05-3 - Quarterly Expenditure Reports not Submitted Timely** (Continued)

*Effect:*

Failure to submit the required quarterly expenditure reports is noncompliance with the terms of the grant agreement.

*Cause:*

Kane County Regional Office of Education No. 31 management stated that the delays were due to new staff being trained as well as staff focusing on a conversion to a new accounting system.

*Auditors' Recommendations:*

Kane County Regional Office of Education No. 31 should comply with all the reporting requirements of its grant agreements and ensure timely submission of reports. We also recommend that a calendar of reporting deadlines be compiled and be monitored by a person independent of the reporting function to ensure compliance.

*Management's Response:*

We agree with the recommendations. We have identified administrative reasons why certain quarterly reports, while submitted correctly, were delayed. Instead of the manager responsible for a specific grant providing the information to the finance department for submission, the finance department will now provide the information to the manager, who will ensure that the quarterly reports are submitted in a timely manner. In addition to sending reminders to grant managers, the Regional Superintendent or Associate Superintendent will review each report at least one week prior to the due date to ensure timely submission.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**FINDING NO. 05-1 - Controls Over Compliance with Laws and Regulations** (Section A. is Repeated from Finding 04-01)

*Condition:*

- A. Kane County Regional Office of Education No. 31 enterprise fund accounts had net assets of \$614,592 as of June 30, 2005. Total revenues and expenditures for fiscal year 2005 amounted to \$297,198 and \$292,184, respectively. The ROE does not have formal cost-recovery pricing procedures to ensure that fees charged approximate costs incurred. We noted in 17 invoice billings that the agreed mark-up with the customers was not consistently applied. For example, equipment items were purchased by the ROE and sold to school districts at an agreed mark-up of 3%. Our comparison of sales price per invoices to school districts and corresponding cost per vendor invoices showed gross profit rates ranging from 2% to 22%.
- B. Kane County Regional Office of Education No. 31 is not examining all books, accounts, and vouchers of every school treasurer in its educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in his region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

While these are reviews involving the finances of school treasurers, they are not in the level of detail required by 105 ILCS 5/3-14.11.

*Plan:*

- A. Cost recovery guidelines were developed during the 2004-2005 FY and a draft form was discussed by management. We did update our ROE Contract Form for 2004-2005, but never fully implemented the cost-recovery form and procedures. As of December of 2005, we have a fully developed cost-recovery form and procedures in place. We have gone back to all events since July 1 of 2005 to ensure that a cost-recovery form is utilized and consistently applied for this fiscal year 2005-2006.
- B. The Regional Offices of Education will request that the General Assembly delete 105 ILCS 5/3-14.11 from the statutes and will seek a legislative solution to other obsolete passages.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**FINDING NO. 05-1 - Controls Over Compliance with Laws and Regulations (Section A. is Repeated from Finding 04-01) (Continued)**

*Anticipated Date of Completion:*

As soon as practical.

*Name of Contact Person:*

Clem Mejia, Regional Superintendent

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**FINDING NO. 05-2 - Improper and Incomplete Accounting of On-behalf Payments of Payroll Costs**

*Condition:*

The salaries of the Regional Superintendent and the Associate Regional Superintendent are paid by the State of Illinois. The salaries of all other employees of the Kane County Regional Office of Education No. 31 are paid by Kane County. Pension plan contributions associated with these salaries are also paid either by the State of Illinois or by Kane County. The Kane County Regional Office of Education No. 31 reimburses Kane County for the salaries paid as well as the employer contributions made to the Illinois Municipal Retirement Fund (IMRF) of direct program personnel and a portion of the administrative and support staff salaries.

We noted that the ROE determines the administrative and support staff salaries by computing a monthly clerical average payroll cost and applying that average to a predetermined percentage by program. The ROE then reimburses the County for a portion of these computed salaries based on the annual County budget.

We compared the total administrative and support salaries computed by the ROE with the County payroll reports for fiscal year 2005. Total gross salaries per County payroll reports for ROE administrative and support personnel for fiscal year 2005 amounted to \$401,979. The ROE reimbursed the County for \$180,808 of these salaries. The difference represents the on-behalf payments made by the County that amounted to \$221,171. Of this amount, only \$111,938 was recorded by the ROE as on-behalf revenues and expenditures.

We also noted that the ROE recorded the revenues and expenditures in separate fund accounts instead of the same fund accounts as follows:

Fund Number	Fund Name	Revenues (Expenditure) Amounts *
199309	Regional Program Development	\$ 111,938
199307	Juvenile Justice Center Administration	(55,969)
199317	Kane County Visual Media Cooperative Academy	(18,656)
199319	Local Academy	(37,313)

\* Reflects gross payroll amounts and does not include related employee benefits.

While total revenues equal total expenditures, there is not a proper matching of revenues and expenses for these on-behalf payments in the same fund. Revenues and expenditures of equal amounts should be recognized in the same funds.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**FINDING NO. 05-2 - Improper and Incomplete Accounting of On-behalf Payments of Payroll Costs (Continued)**

*Plan:*

- Four employees on the Kane County payroll have been moved to the ROE payroll to more closely equal the payroll to the Kane County budget.
- Instead of averages, only actual salaries and benefits will be charged to the programs.
- The movement of revenues into the Regional Development Fund and expensing other local funds has been ended. Now all payroll payments will be made directly to the Kane County Treasurer.
- The Payroll accounts will be monitored periodically to assure accuracy and compliance.
- Presently the payroll is generated by a Lotus spreadsheet and entered and recorded manually in to the accounting software. We will investigate the possibility of a software package that could automate and improve the payroll process.

*Anticipated Date of Completion:*

The inter-fund transfers were ended beginning September 1, 2005 payroll period. The final movement of employees to the ROE payroll was completed for the payroll period ended December 15, 2005.

*Name of Contact Person:*

Paul Anderson, Finance Director



**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**FINDING NO. 05-3 - Quarterly Expenditure Reports not Submitted Timely**

*Condition:*

Kane County Regional Office of Education No. 31 did not timely submit the required quarterly expenditure reports for its grant programs passed through the Illinois State Board of Education.

During our detailed testing of the grants passed through ISBE, we noted the following submission dates for the Quarterly Expenditure Reports:

Regional Safe Schools (Project No. 05-3001-93)

<u>Quarterly Reports</u>	<u>Due Date</u>	<u>Date Submitted</u>	<u>Days delayed</u>
September 30, 2004	October 31, 2004	December 7, 2004	37
December 31, 2004	January 31, 2005	February 8, 2005	8
March 31, 2005	April 30, 2005	May 3, 2005	3
June 30, 2005	July 31, 2005	August 2, 2005	2

McKinney Education for Homeless Children (Project No. 05-4920-00)

<u>Quarterly Reports</u>	<u>Due Date</u>	<u>Date Submitted</u>	<u>Days delayed</u>
September 30, 2004	None required	Not applicable *	–
December 31, 2004	January 31, 2005	February 1, 2005	1
March 31, 2005	April 30, 2005	May 12, 2005	12
June 30, 2005	July 31, 2005	August 4, 2005	4

Technology - Enhancing Education - Competitive (Project No. 05-4972-00)

<u>Quarterly Reports</u>	<u>Due Date</u>	<u>Date Submitted</u>	<u>Days delayed</u>
September 30, 2004	None required	Not applicable *	–
December 31, 2004	January 31, 2005	February 4, 2005	4
March 31, 2005	April 30, 2005	May 3, 2005	3
June 30, 2005	July 31, 2005	August 24, 2005	24

\* Funding received only in the second quarter of fiscal year 2005.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**FINDING NO. 05-3 - Quarterly Expenditure Reports not Submitted Timely (Continued)**

*Plan:*

We have identified administrative reasons why certain quarterly reports, while submitted correctly, were delayed. Instead of the manager responsible for a specific grant providing the information to the finance department for submission, the finance department will now provide the information to the manager, who will ensure that the quarterly reports are submitted in a timely manner. In addition to sending reminders to grant managers, the Regional Superintendent or Associate Superintendent will review each report at least one week prior to the due date to ensure timely submission.

*Anticipated Date of Completion:*

As soon as possible.

*Name of Contact Person:*

Clem Mejia, Regional Superintendent or Julie Vallejo, Associate Regional Superintendent

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2005**

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
04-1	Noncompliance with State Mandate	Repeated as Finding 05-1



**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

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, 2005 with comparative information for the year ended June 30, 2004. 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 123,000 students, which includes 112,420 public school students and 10,690 private/parochial students. Our region includes nine (K-12) unit districts, 2 community college districts, 150 public school buildings and over 7,000 public/private school teachers.

**Highlights**

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

The major revenues received from State and Federal sources were the following: Regional Safe Schools Initiative - \$819,276; Enhancing Education Through Technology - \$598,682; Truancy and Optional Education - \$339,611; Reading First - \$159,474; Title I - School Improvement & Accountability - \$531,369 and McKinney Homeless grant - \$341,540.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**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 ROE's can provide needed services to our schools and personnel in the future, without relying on total State support is critical. In addition, as funding at the County level gets more competitive and there are less funds to distribute locally, County Boards are looking to the ROE to set aside funds from the various grants received to contribute to such items as rent, utilities, building maintenance and other items, which previously had been provided by the County. We will be allocating funds next fiscal year to these items where we haven't been asked to contribute in past years. We continue to show student growth in our area and continue 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.

**2005 Financial Highlights**

- Within the Governmental Funds, the General Fund revenues increased by \$135,783 (24%) from \$561,894 in FY 2004 to \$697,677 in FY 2005. General Fund expenditures increased by \$121,929 (26%) from \$478,015 in FY 2004 to \$599,944 in FY 2005.
- Within the Governmental Funds, the Special Fund revenue increased by \$482,707 (14%) from \$3,399,667 in FY 2004 to \$3,882,374 in FY 2005. The Special Fund expenditures increased by \$795,628 (25%) from \$3,166,782 in FY 2004 to \$3,962,410 in FY 2005.
- The Enterprise Fund revenue increased by \$124,308 (72%) from \$172,886 in FY 2004 to \$297,194 in FY 2005. The Enterprise Fund expenditures increased by \$197,804 (210%) from \$94,379 in FY 2004 to \$292,184 in FY 2005.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**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.

**Government-wide Financial Statements**

The Government-wide statements report information about the Regional Office of Education No. 31 as a whole. The Statement of Net Assets includes all of the assets and liabilities, with the difference reported as *net assets*. 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 Statement No. 34.

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

- 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 financial 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 Regional Office'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 Regional Office of Education No. 31 established other funds to control and manage money for particular purposes.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

The Office has three kinds of funds:

- Governmental Funds account for those funds through which most governmental functions of the Region 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 Office's Governmental Funds include: the General Fund and the Special Revenue Fund. 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 but with more detail for major and non-major enterprise funds. The proprietary funds required financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.
- Fiduciary Funds are used to account for assets held by the Regional Office of Education 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 Regional Office. The net assets at the end of FY 2005 totaled \$3,488,935. At the end of FY 2004, the net assets were \$3,486,783. The analysis that follows provides a summary of the Office's net assets as of June 30.



**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**CONDENSED STATEMENT OF NET ASSETS**

	<u>2005</u>	<u>2004</u>
Current assets	\$ 4,621,935	\$ 4,262,003
Capital assets, net of depreciation	258,122	264,250
Total assets	<u>4,880,057</u>	<u>4,526,253</u>
Current liabilities	<u>1,391,122</u>	<u>1,039,470</u>
Total liabilities	<u>1,391,122</u>	<u>1,039,470</u>
Net assets:		
Invested in capital assets, net of related debt	258,122	264,250
Unrestricted	<u>3,230,813</u>	<u>3,222,533</u>
Total net assets	<u>\$ 3,488,935</u>	<u>\$ 3,486,783</u>

The Regional Office of Education's net assets increased by \$2,152 (less than 1%) from FY 2004. The slight increase occurred primarily in the Governmental Fund as a result of operational efficiencies.

**CHANGES IN NET ASSETS**

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 458,165	\$ 193,923
Operating grants and contributions	3,703,754	3,361,800
General revenues:		
Local and state sources	394,435	290,480
On-behalf payments	237,192	247,037
Interest income	83,699	41,207
Total revenues	<u>4,877,245</u>	<u>4,134,447</u>
Expenses:		
Program Expenses:		
Instructional services	4,345,717	3,553,765
Administrative	237,192	247,037
Professional development	292,184	19,794
Total Expenses	<u>4,875,093</u>	<u>3,820,596</u>
Change in net assets	2,152	313,851
Net assets beginning of year	<u>3,486,783</u>	<u>3,172,932</u>
Net assets end of year	<u>\$ 3,488,935</u>	<u>\$ 3,486,783</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**Financial Analysis of the Kane County Regional Office of Education No. 31 Funds**

As previously noted, the Regional Office of Education No. 31 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The ROE's Governmental Funds reported combined fund balances were \$2,630,648.

**Governmental Fund Highlights**

- The Governor of the State of Illinois line item vetoed a portion of the state financial support for school services.
- County support for the Regional Office of Education No. 31 remained at level funding.
- There was an increase in the state aid foundation level to \$4,964 per student from \$4,810. This helped to off-set the reduction in the grant dollars provided for the Safe Schools Program.

**Budgetary Highlights**

The Regional Office of Education No. 31 annually prepares budgets for several funds which serve as a guideline for activities and expenditures. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the County Board for their approval. The Office Operations Budget covers a fiscal year which runs from December 1 to November 30. All grant budgets are prepared by the Regional Office of Education No. 31 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency. Additionally, 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**

Regional Office of Education No. 31's capital assets include office equipment, computers, audio-visual equipment, and office furniture. The Regional Office of Education No. 31 maintains an inventory of capital assets which have been accumulated over time. For FY 2005, total additions amounted to \$100,003 and there were no retirements. Depreciation expense for FY 2005 was \$106,131.

**Economic Factors and Next Years' Budget**

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

- The state aid foundation level has increased to \$6,405 per student.
- The interest rate on investments remains low and will impact interest earned.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

- Most grants have remained near or at previous levels.
- County Board support for Regional Office of Education No. 31 will remain level.

**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 2005 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, 2005

EXHIBIT A

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 3,300,234	\$ 407,566	\$ 3,707,800
Investments	458,630	163,127	621,757
Accounts receivable	20,970	69,917	90,887
Due from other governmental agencies	201,491	-	201,491
Total current assets	<u>3,981,325</u>	<u>640,610</u>	<u>4,621,935</u>
<b>Noncurrent assets</b>			
Capital assets, net	<u>243,695</u>	<u>14,427</u>	<u>258,122</u>
<b>TOTAL ASSETS</b>	<u>4,225,020</u>	<u>655,037</u>	<u>4,880,057</u>
<b>LIABILITIES</b>			
Accounts payable	502,839	3,338	506,177
Due to other governmental agencies	103,626	37,107	140,733
Deferred revenues	<u>744,212</u>	<u>-</u>	<u>744,212</u>
<b>TOTAL LIABILITIES</b>	<u>1,350,677</u>	<u>40,445</u>	<u>1,391,122</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	243,695	14,427	258,122
Unrestricted	<u>2,630,648</u>	<u>600,165</u>	<u>3,230,813</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 2,874,343</u>	<u>\$ 614,592</u>	<u>\$ 3,488,935</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, 2005

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	
<b>FUNCTIONS/PROGRAMS</b>						
Primary government						
Governmental activities:						
Instructional services						
Salaries	\$ 1,179,407	\$ -	\$ 1,020,977	\$ (158,430)	\$ -	\$ (158,430)
Benefits	343,806	-	297,078	(46,728)	-	(46,728)
Purchased services	2,121,599	96,313	1,782,802	(242,484)	-	(242,484)
Supplies and materials	82,729	67,621	44,259	29,151	-	29,151
Capital expenditures	681	-	67,779	(67,098)	-	67,098
Depreciation expense	103,848	-	-	(103,848)	-	(103,848)
Miscellaneous	897	1,196	-	299	-	299
Payments to other governments	512,750	-	490,859	(21,891)	-	(21,891)
Administrative						
On-behalf payments	237,192	-	-	(237,192)	-	(237,192)
Total governmental activities	4,582,909	165,130	3,703,754	(714,025)	-	(714,025)
Business-type activities:						
Professional development	292,184	293,035	-	-	851	851
Total business-type activities	292,184	293,035	-	-	851	851
Total primary government	\$ 4,875,093	\$ 458,165	\$ 3,703,754	(714,025)	851	(713,174)
General revenues:						
Local sources						
Intergovernmental				196,104	-	196,104
State sources				198,331	-	198,331
Interest income				79,540	4,159	83,699
On-behalf payments				237,192	-	237,192
Transfers				(4)	4	-
Total general revenues and transfers				711,163	4,163	715,326
Change in net assets				(2,862)	5,014	2,152
Net assets - beginning				2,877,205	609,578	3,486,783
Net assets - ending				\$ 2,874,343	\$ 614,592	\$ 3,488,935

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2005

EXHIBIT C

	General Fund	Education Fund	Institute Fund	Youth Home Education Fund	Other Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 502,932	\$ 822,470	\$ 373,853	\$ 1,427,196	\$ 173,783	\$ 3,300,234
Investments	-	30,205	92,287	305,933	30,205	458,630
Accounts receivable	-	-	268	-	20,702	20,970
Due from other governmental agencies	-	201,491	-	-	-	201,491
<b>TOTAL ASSETS</b>	<b>502,932</b>	<b>1,054,166</b>	<b>466,408</b>	<b>1,733,129</b>	<b>224,690</b>	<b>3,981,325</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	30,242	469,021	2,020	1,182	374	502,839
Due to other governmental agencies	-	94,172	9,454	-	-	103,626
Deferred revenues	5,260	326,730	-	406,681	5,541	744,212
Total liabilities	35,502	889,923	11,474	407,863	5,915	1,350,677
<b>FUND BALANCES</b>						
Unreserved, reported in:						
General fund	467,430	-	-	-	-	467,430
Special revenue funds	-	164,243	454,934	1,325,266	218,775	2,163,218
Total fund balances	467,430	164,243	454,934	1,325,266	218,775	2,630,648
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 502,932</b>	<b>\$ 1,054,166</b>	<b>\$ 466,408</b>	<b>\$ 1,733,129</b>	<b>\$ 224,690</b>	<b>\$ 3,981,325</b>

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005**

**EXHIBIT D**

Total fund balances - governmental funds \$ 2,630,648

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. 243,695

Net assets of governmental activities \$ 2,874,343

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



EXHIBIT E

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Education Fund	Institute Fund	Youth Home Education Fund	Other Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>						
Federal sources	\$ -	\$ 1,817,979	\$ -	\$ 427,574	\$ 10,018	\$ 2,255,571
State sources	198,331	1,445,743	-	-	2,440	1,646,514
Local sources						
Intergovernmental	196,104	-	20,250	-	13,490	229,844
Services	-	-	74,520	-	56,870	131,390
Interest	66,050	6,861	2,368	3,625	636	79,540
On-behalf payments	237,192	-	-	-	-	237,192
Total revenues	697,677	3,270,583	97,138	431,199	83,454	4,580,051

<b>EXPENDITURES</b>						
Current:						
Instructional services:						
Salaries	112,867	841,668	-	224,872	-	1,179,407
Benefits	33,464	229,542	-	80,800	-	343,806
Purchased services	197,540	1,735,028	44,644	109,765	34,622	2,121,599
Supplies and materials	5,582	36,810	6,838	9,191	24,308	82,729
Capital expenditures	13,183	67,845	-	2,946	-	83,974
Miscellaneous	116	-	351	-	430	897
Payments to other governments	-	512,750	-	-	-	512,750
On-behalf payments	237,192	-	-	-	-	237,192
Total expenditures	599,944	3,423,643	51,833	427,574	59,360	4,562,354

**EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** 97,733 (153,060) 45,305 3,625 24,094 17,697

**OTHER FINANCING SOURCES (USES)**  
 Transfers in (out) (14) 14 (4) (4)

**EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES** 97,719 (153,046) 45,305 3,625 24,090 17,693

**FUND BALANCES, JULY 1, 2004** 369,711 317,289 409,629 1,321,641 194,685 2,612,955

**FUND BALANCES, JUNE 30, 2005** \$ 467,430 \$ 164,243 \$ 454,934 \$ 1,325,266 \$ 218,775 \$ 2,630,648

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005**

**EXHIBIT F**

Net change in fund balances	\$ 17,693
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital outlay	83,293
Depreciation expense	<u>(103,848)</u>

Change in net assets of governmental activities	<u>\$ (2,862)</u>
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*The notes to the financial statements are an integral part of this statement.*

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 JUNE 30, 2005

EXHIBIT G

	Business Type Activities - Enterprise Funds		
	ESC Professional	Other Non- Major Funds	Total Proprietary Funds
	Development Local 2		
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 246,584	\$ 160,982	\$ 407,566
Investments	163,127	-	163,127
Accounts receivable	15,068	54,849	69,917
Total current assets	<u>424,779</u>	<u>215,831</u>	<u>640,610</u>
<b>Noncurrent assets</b>			
Capital assets, net	<u>1,371</u>	<u>13,056</u>	<u>14,427</u>
<b>TOTAL ASSETS</b>	<u>426,150</u>	<u>228,887</u>	<u>655,037</u>
<b>LIABILITIES</b>			
Accounts payable	-	3,338	3,338
Due to other government agencies	-	37,107	37,107
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>40,445</u>	<u>40,445</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,371	13,056	14,427
Unrestricted	<u>424,779</u>	<u>175,386</u>	<u>600,165</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 426,150</u>	<u>\$ 188,442</u>	<u>\$ 614,592</u>

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

**EXHIBIT H**

	<b>Business Type Activities - Enterprise Funds</b>		
	<b>ESC Professional Development Local 2</b>	<b>Other Non- Major Funds</b>	<b>Total Proprietary Funds</b>
<b>OPERATING REVENUES</b>			
Local sources	\$ 116,456	\$ 176,579	\$ 293,035
<b>OPERATING EXPENSES</b>			
Salaries	-	500	500
Benefits	-	151	151
Purchased services	135,816	133,025	268,841
Supplies and materials	259	13,585	13,844
Miscellaneous	6,565	-	6,565
Depreciation	274	2,009	2,283
Total operating expenses	<u>142,914</u>	<u>149,270</u>	<u>292,184</u>
<b>OPERATING INCOME (LOSS)</b>	(26,458)	27,309	851
<b>NONOPERATING REVENUES</b>			
Interest	<u>4,159</u>	<u>-</u>	<u>4,159</u>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	(22,299)	27,309	5,010
<b>OPERATING TRANSFERS</b>			
Transfers in (out)	<u>(82,492)</u>	<u>82,496</u>	<u>4</u>
<b>CHANGE IN NET ASSETS</b>	(104,791)	109,805	5,014
<b>TOTAL NET ASSETS, JULY 1, 2004</b>	<u>530,941</u>	<u>78,637</u>	<u>609,578</u>
<b>TOTAL NET ASSETS, JUNE 30, 2005</b>	<u><u>\$ 426,150</u></u>	<u><u>\$ 188,442</u></u>	<u><u>\$ 614,592</u></u>

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT I

	Business Type Activities - Enterprise Funds		
	ESC Professional Development Local 2	Other Non- Major Funds	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts for workshops and services	\$ 101,388	\$ 121,751	\$ 223,139
Payments to suppliers	(143,816)	(175,591)	(319,407)
Net cash used in operating activities	<u>(42,428)</u>	<u>(53,840)</u>	<u>(96,268)</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>			
Cash transfers from other funds	(82,492)	82,496	4
Net cash provided by (used in) noncapital financing activities	<u>(82,492)</u>	<u>82,496</u>	<u>4</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>			
Purchase of capital assets	(1,645)	(15,065)	(16,710)
Net cash used in capital financing activities	<u>(1,645)</u>	<u>(15,065)</u>	<u>(16,710)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investments	(163,127)	-	(163,127)
Interest	4,159	-	4,159
Net cash used in investing activities	<u>(158,968)</u>	<u>-</u>	<u>(158,968)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(285,533)	13,591	(271,942)
<b>CASH, BEGINNING OF YEAR</b>	<u>532,117</u>	<u>147,391</u>	<u>679,508</u>
<b>CASH, END OF YEAR</b>	<u>\$ 246,584</u>	<u>\$ 160,982</u>	<u>\$ 407,566</u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>			
Operating income (loss)	\$ (26,458)	\$ 27,309	\$ 851
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation	274	2,009	2,283
Effects of changes in assets and liabilities:			
Accounts receivable	(15,068)	(54,828)	(69,896)
Accounts payable	(1,176)	(28,330)	(29,506)
Net cash used in operating activities	<u>\$ (42,428)</u>	<u>\$ (53,840)</u>	<u>\$ (96,268)</u>

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
JUNE 30, 2005**

**EXHIBIT J**

**ASSETS**

Cash	<u>\$ 102,038</u>
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**LIABILITIES**

Due to other governmental agencies	<u>\$ 102,038</u>
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*The notes to the financial statements are an integral part of this statement.*

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**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 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.

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, 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 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 customers or applicants 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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

particular function or segment. Other 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.

Certain 2004 amounts have been reclassified to conform to the 2005 presentation. Visual Media Cooperative, Business Partners Initiative, Technology, Local Counselors Academy and Kane County Human Resources Consortium fund activities have been classified and reported in prior years as special revenue funds and are currently classified and reported as proprietary funds. Likewise, Criminal Background Investigation fund activities have been classified and reported in prior years as general fund and are currently classified and reported as proprietary funds.

C. Change in Accounting Principles

Effective July 1, 2004, the Kane County Regional Office of Education No. 31 adopted GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, an amendment of GASB Statement No. 3. This new standard enhances the deposit and investment risk disclosures by updating the custodial credit risk disclosure requirements of GASB Statement No. 3 and addressing other common risks, including concentration of credit risk, interest rate risk and foreign currency risk. The implementation did not have a significant impact on the Kane County Regional Office of Education No. 31's financial statements.

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

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

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



**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

Governmental fund and fiduciary financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become 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. Kane County Regional Office of Education No. 31 considers revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. 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.

**E. Fund Accounting**

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

Governmental Fund Types

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

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

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

Regional Program Development - This program provides for the general improvement and expansion of education within Kane County Regional Office of Education No. 31.

Coordinated Supplemental Services - This grant provided for additional funding to the ROE/ISC program and was administered by the Will County Regional Office of Education No. 56.

Learning Technology Center - Accounts for resources and payments of expenditures for Learning Technology HUB program for the purpose of providing a coordinated, statewide support infrastructure which assists school districts in planning for, implementing, assessing results and educating school staff in the use of technology and telecommunications in curricular, instructional and administrative functions.

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.

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.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

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

ROE/ISC Technology - Program designed to support learning technology services to the local school districts.

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

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

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

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

Career Awareness and Development Program - Funds provide career awareness and development training opportunities for elementary and middle school educators to integrate information on career and career planning into context of the fundamental learning areas.

Career & Technical Education Improvement - Funds provide career awareness and development training opportunities for elementary and middle school educators to integrate information on career and career planning into context of the fundamental learning areas.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

Title V - Innovative Programs - SEA Projects - Accounts for grant monies received for, and payment of, expenditures of the Title V - Innovative Programs - SEA Projects Grant.

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

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

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

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

Technology - Enhancing Education - Competitive - Funds provide coordinated support and infrastructure which assists school districts in planning for, implementing, assessing results and educating school staff in

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

the use of technology and telecommunications in curricular, instructional and administrative functions.

Title IV - Community Service - Accounts for monies received for, and payment of expenditures for Safe and Drug Free Schools and Communities Programs. These programs enhance the Nation's efforts to prevent illegal use of drugs and violence among, and promote safety and discipline for, students at all levels in the community.

Other Non-Major 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.

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

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

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

Proprietary Fund Types

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

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

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

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

Business Partners Initiative - The Business Partners Initiative currently involves a partnership with Dukane Corporation of St. Charles, Illinois to provide overhead projectors, LCD projectors and various other multimedia products to schools throughout Illinois at a cost significantly below retail price.

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

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

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

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

Fiduciary Fund Types

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

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

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

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

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

Miscellaneous Fiscal Adm. IACO - Accounts for registration fee received through on-line credit card payment for the conferences of the Illinois Association of County Officials. This association has recently been terminated.

F. Revenues - Exchange and Non-exchange Transactions

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

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

G. Cash and Cash Equivalents

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

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H. Capital Assets

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

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

I. Deferred Revenues

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

J. Net Assets

Net assets present the difference between assets and liabilities in the Statement of Net Assets. Net assets of the ROE are classified as follows:

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

*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.

K. 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 in the financial statements. Actual results could differ from those estimates.

L. Budgets and Budgetary Accounting

Kane County Regional Office of Education No. 31 did not formally adopt a budget for the year ended June 30, 2005 and is not legally required to do so. The Illinois State Board of Education requires budgets for certain State and Federal programs. These



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budgets were used to prepare the Budgetary Comparison Schedules for the following programs:

General Fund:

- ROE/ISC Operations

Special Revenue Funds:

- ROE/ISC Technology
- Regional Safe Schools
- Truants' Alternative and Optional Education Program (TAP)
- FY04 Title I - Reading First Part B SEA Funds
- McKinney Education for Homeless Children
- Technology - Enhancing Education - Competitive
- FY05 Title I - Reading First Part B SEA Funds

M. Revenue from Federal and State Grants

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

**NOTE 2 - CASH AND INVESTMENTS**

Deposits

The Kane County Regional Office of Education No. 31 utilizes several different bank accounts for its various activities. The book balance of such accounts is \$3,809,838 at June 30, 2005, while the bank balance was \$4,538,118. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2005.

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

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

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

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

The ROE's deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and by collateral held by the financial institution in the ROE's name. Although deposit balances classified under the traditional risk categories of 1 and 2 have been determined under GASB Statement No. 40 to be exposed to only minimal risk, and, based on this conclusion, the GASB chose to limit disclosure of custodial credit risk to deposits that meet the definition of "Category 3", the ROE has decided to include categories 1 and 2 in the discussion. The following table reflects the ROE's level of risk as of June 30, 2005:

	<b>Bank Balance</b>
Category 1	\$ 645,000
Category 2	3,886,862
Category 3	—
Exempt	6,256
Total	<b>\$ 4,538,118</b>

The exempt funds are those deposited into the Illinois Funds.

**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.

The ROE has pooled its investments. Investments are stated at fair value. Net income from investments of pooled funds is allocated and credited to the original sources of the funds. As of June 30, 2005, the ROE's investments are certificate of deposits totaling \$621,757.

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Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The ROE's policy for reducing its exposure to the risk is to structure the ROE's portfolio so that securities mature to meet the ROE's cash requirements for ongoing operations. As of June 30, 2005, all the investments have investment maturities of six to eighteen months.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ROE's policy for managing its exposure to the risk is to limit investments to those allowable by the Illinois Public Funds Investment Act. As of June 30, 2005, the ROE's investment in the State investment pool (Illinois Funds) was rated AAAM by Standard & Poor's.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The ROE's policy for mitigating the risk is to diversify the investment portfolio so that the failure of any one issue will not place an undue financial burden on the ROE. As of June 30, 2005, the ROE's investments are certificates of deposits with five local banks.

Custodial Credit Risk for investments is the risk that, in the event of a failure of the counterparty, the ROE will not be able to recover the value of the investments that are in the possession of an outside party. Originally, GASB Statement No. 3 discussed three categories of custodial credit risk as follows:

Category 1 includes investments that are insured or collateralized with securities held by the Kane County Regional Office of Education No. 31 in its name.

Category 2 includes investments collateralized with securities held by the financial institution in the name of Kane County Regional Office of Education No. 31.

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

Although investments classified under the traditional risk categories of 1 and 2 have been determined under GASB Statement No. 40 to be exposed to only minimal risk, and, based on this conclusion, the GASB chose to limit disclosure of custodial credit risk to investments that meet the definition of "Category 3", the ROE has decided to include categories 1 and 2 in the discussion. The ROE does not have a policy for custodial credit risk that further limits custodial arrangements from what is required by the State of Illinois Public Funds Investment Act. The following table reflects the ROE's level of risk as of June 30, 2005:

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

	Carrying Amount	Bank Balance	Category		
			1	2	3
Certificates of deposit	\$ 621,757	\$ 621,757	\$ 621,757	\$ --	\$ --

**NOTE 3 - DUE TO/FROM OTHER GOVERNMENTS**

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

Due From Other Governments:		
Local School Districts		\$ 5,400
Illinois State Board of Education		196,091
Total		<u>\$ 201,491</u>
Due To Other Governments:		
Local School Districts		\$ 124,643
Illinois State Board of Education		16,090
Total		<u>\$ 140,733</u>

**NOTE 4 - CAPITAL ASSETS ACTIVITY**

A summary of changes in capital assets for the year ended June 30, 2005 is as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2005</u>
<b>GOVERNMENTAL FUNDS</b>				
Furniture and equipment	\$ 578,751	\$ 83,293	\$ --	\$ 662,044
Less: accumulated depreciation	314,501	103,848	--	418,349
Capital assets, net	<u>\$ 264,250</u>	<u>(\$ 20,555)</u>	<u>\$ --</u>	<u>\$ 243,695</u>
<b>PROPRIETARY FUNDS</b>				
Equipment	\$ --	\$ 16,710	\$ --	\$ 16,710
Less: accumulated depreciation	--	2,283	--	2,283
Capital assets, net	<u>\$ --</u>	<u>\$ 14,427</u>	<u>\$ --</u>	<u>\$ 14,427</u>

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**NOTE 5 - DISTRIBUTIVE FUND INTEREST**

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

**NOTE 6 - SALARIES AND PENSION PLAN CONTRIBUTIONS**

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

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

**NOTE 7 - RETIREMENT FUND COMMITMENTS**

Teachers' Retirement System of the State of Illinois

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

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2005 was 9 percent of their creditable earnings. These contributions, which may be paid on behalf of employees by employer, are submitted to TRS by the employer. In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was 0.5 percent

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during the year ended June 30, 2005, and the member THIS Fund health insurance contribution was 0.75 percent.

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

- **On-Behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of Kane County Regional Office of Education No. 31. For the year ended June 30, 2005, the State of Illinois contributions were based on 11.76 percent of creditable earnings, and Kane County Regional Office of Education No. 31, recognized revenue and expenditures of \$38,442 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2004 and June 30, 2003, the State of Illinois contribution rates as percentages of creditable earnings were 13.98 percent (\$51,260) and 13.01 percent (\$39,577), respectively.

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

- **2.2 Formula Contributions.** For the years ended June 30, 2005, and June 30, 2004, employers were required to contribute 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the years ended June 30, 2005, and June 30, 2004, were \$1,896 and \$2,118, respectively. For the year ended June 30, 2003, part of the employer's 2.2 formula contribution (0.58 percent of pay) was reduced as a result of a new employer THIS Fund contribution for retiree health insurance (0.4 percent of pay). The remaining 0.18 percent was submitted to TRS. Contributions for the year ended June 30, 2003 were \$796.
- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and trust funds administered by Kane County Regional Office of Education No. 31, there is a statutory requirement for Kane County Regional Office of Education No. 31 to pay an employer pension contribution from those funds. For the three years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2005, salaries totaling \$81,692 were paid from federal and trust funds that required employer contributions of \$8,578. For the years ended June 30, 2004 and June 30, 2003, required Kane County Regional Office of Education No. 31 contributions were \$13,306 and \$11,528, respectively.
- **Early Retirement Option (ERO).** 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. No member or employer contributions are required if the member has 34 years of service. The maximum employer payment of 100 percent of the

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member's highest salary used in the calculation of final average salary is required if the member is 55 years old. For the year ended June 30, 2005, the Kane County Regional Office of Education No. 31 paid \$0 for employer contributions under the ERO. For the years ended June 30, 2004 and 2003, there were no salaries that qualified for this plan.

**Changes**

Public Act 94-0004, which was signed into law on June 1, 2005, contained a number of provisions affecting employer and active member contributions. Most will not be effective or impact financial statements until the year ending June 30, 2006. The changes are summarized below:

- **Active member contributions.** The active member contribution rate will increase from the current 9.0 percent of creditable earnings to 9.4 percent beginning July 1, 2005. The increase is to help cover the cost of the new ERO program and will be refunded if the member does not retire under ERO.
- **State/federal contributions.** Under a policy adopted by the Board of Trustees before Public Act 94-0004 was enacted, the employer contribution rate for employees paid from federal funds will be the same as the rate paid by the state. Under Public Act 94-0004, the state contribution rate in FY 2006 was reduced to 7.06 percent of pay. Therefore, the employer contribution rate for employees paid from federal funds in FY 2006 will be 7.06 percent, a decrease from the current 10.50 percent.
- **New employer contributions.**
  - **Salary increases over 6 percent.** If employers grant salary increases in excess of 6 percent that are used in final average salary calculations, the employer will make a lump-sum contribution to TRS to cover the cost of the portion of the benefit due to salary increases over 6 percent. Public Act 94-0004 exempts salary increases granted under contracts and collective bargaining agreements in effect on June 1, 2005.
  - **Sick leave in excess of normal allotment.** If employers grant sick leave near retirement in excess of the normal allotment and that sick leave is counted as service credit, the employer will make a lump-sum contribution to TRS. The act exempts sick leave granted under contracts and collective bargaining agreements in effect on June 1, 2005.
- **Early Retirement Option.** In addition to the changes described above, the following changes were made to ERO:
  - Both active member and employer ERO contribution rates are increased. For employers, the maximum contribution increases from the current 100 percent of

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

the member's highest salary used in the calculation of final average salary to 117.5 percent.

- The waiver of member and employer ERO contributions when the member has 34 years of service ended with the program that expired June 30, 2005.
- A "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007.
- Public Act 94-0004 provides for a review of the member and employer ERO contributions every five years to ensure that the program is revenue neutral.

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, 2004. The report for the year ended June 30, 2005, is expected to be available in late 2005. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253. The most current report is also available on the TRS web site at [trs.illinois.gov](http://trs.illinois.gov).

Illinois Municipal Retirement Fund

The Kane County Regional Office of Education No. 31 defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at [www.imrf.org/pubs/pubs\\_homepage.htm](http://www.imrf.org/pubs/pubs_homepage.htm) or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by State statute. Kane County Regional Office of Education No. 31 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2004 was 0.00 % percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2004 was 5 years.

For December 31, 2004, Kane County Regional Office of Education No. 31's annual pension cost of \$0 was equal to Kane County Regional Office of Education No. 31's required and actual contributions. The required contribution was determined as part of the December 31,



**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return (net of administrative expense), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor.

The assumptions used for the 2004 actuarial valuation were based on the 1999-2001 experience study.

**TREND INFORMATION**

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/04	\$ -	100%	\$ -
12/31/03	-	100%	-
12/31/02	-	100%	-
12/31/01	-	100%	-
12/31/00	35	100%	-
12/31/99	-	100%	-
12/31/98	-	100%	-
12/31/97	894	100%	-
12/31/96	407	100%	-
12/31/95	722	100%	-

**NOTE 8 - ON-BEHALF PAYMENTS**

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

Regional Superintendent's salary	\$ 88,540
Regional Superintendent's fringe benefits (includes State paid insurance)	19,211
Associate Regional Superintendent's salary	79,686
Associate Regional Superintendent's fringe benefits (includes State paid insurance)	11,313
TRS Contributions	38,442
Total	<u>\$ 237,192</u>

On-behalf payments for administrative and support staff salaries by Kane County totaled \$221,171, of which \$111,938 was recorded in the basic financial statements.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 9 - DEFICIT FUND BALANCE**

The following funds have deficit fund balances as of June 30, 2005:

ROE/ISC Operations	\$ 3,356
Federal Special Education - IDEA Flow-Through	597
Regional Safe Schools	10,724
FY 05 Title I - Reading First Part B SEA Funds	559
Title I - School Improvement & Accountability	50,259
Local Counselors Academy	<u>3,338</u>
Total Deficit Fund Balances	<u>\$ 68,833</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 TRANSFERS**

The composition of interfund transfers for the year ended June 30, 2005 is as follows:

	<u>Transfers-out</u>	<u>Transfers-in</u>
General Fund - Regional Program Development	(\$14)	
Education Fund - ROE/ISC Technology		\$14
Education Fund - Regional Safe Schools	(13,500)	
Education Fund - Truants' Alternative and Optional Education Program (TAP)		13,500
Education Fund - Bus Driver Training	(4)	
Proprietary Funds - ESC Professional Development Local 2	(82,492)	
Proprietary Funds - Local Counselors Academy		82,496

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
REQUIRED SUPPLEMENTARY SCHEDULE  
JUNE 30, 2005**

**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)
12/31/04	\$ 36,912	\$ 34,983	(1,929)	105.51%	\$ -	N/A
12/31/03	35,405	32,550	(2,855)	108.77%	-	N/A
12/31/02	36,844	30,249	(6,595)	121.80%	-	N/A
12/31/01	36,844	28,200	(8,644)	130.65%	-	N/A
12/31/00	35,413	26,815	(8,598)	132.06%	-	N/A
12/31/99	31,535	24,678	(6,857)	127.79%	-	N/A
12/31/98	27,340	27,750	410	98.52%	-	N/A
12/31/97	24,270	24,312	42	99.83%	-	N/A
12/31/96	20,940	15,932	(5,008)	131.43%	6,960	-
12/31/95	18,797	19,706	909	95.39%	10,403	8.74%

On a market value basis, the actuarial value of assets as of December 31, 2004 is \$36,970.  
On a market basis, the funded ratio would be 105.68%.

**\*Digest of Changes**

The actuarial assumptions used to determine the actuarial accrued liability for 2004 are based on the 1999-2001 Experience Study. The principal changes were:

- Fewer members are expected to take refunds early in their career.
- For Regular members, fewer normal and early retirements are expected to occur.

**SUPPLEMENTARY INFORMATION**

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 COMBINING SCHEDULE OF ACCOUNTS  
 GENERAL FUND  
 JUNE 30, 2005

SCHEDULE 1

	ROE/ISC Operations	Coordinated Supplemental Services	Regional Program Development	Learning Technology Center	Total
<b>ASSETS</b>					
Cash	\$ 1,621	\$ 5,260	\$ 460,985	\$ 35,066	\$ 502,932
<b>TOTAL ASSETS</b>	<u>1,621</u>	<u>5,260</u>	<u>460,985</u>	<u>35,066</u>	<u>502,932</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	4,977	-	23,140	2,125	30,242
Deferred revenues	-	5,260	-	-	5,260
Total liabilities	<u>4,977</u>	<u>5,260</u>	<u>23,140</u>	<u>2,125</u>	<u>35,502</u>
<b>FUND BALANCES</b>					
Unrestricted	(3,356)	-	437,845	32,941	467,430
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,621</u>	<u>\$ 5,260</u>	<u>\$ 460,985</u>	<u>\$ 35,066</u>	<u>\$ 502,932</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GENERAL FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 2

	ROE/ISC Operations	Coordinated Supplemental Services	Regional Program Development	Learning Technology Center	Total
<b>REVENUES</b>					
State sources	\$ 198,331	\$ -	\$ -	\$ -	\$ 198,331
Local sources					
Intergovernmental	-	42,404	153,700	-	196,104
Interest	724	-	65,326	-	66,050
On-behalf payments	237,192	-	-	-	237,192
Total revenues	436,247	42,404	219,026	-	697,677
<b>EXPENDITURES</b>					
Salaries	66,133	30,595	16,139	-	112,867
Benefits	21,002	5,461	7,001	-	33,464
Purchased services	114,117	6,348	20,074	57,001	197,540
Supplies and materials	138	-	202	5,242	5,582
Capital expenditures	-	-	-	13,183	13,183
Miscellaneous	-	-	116	-	116
On-behalf payments	237,192	-	-	-	237,192
Total expenditures	438,582	42,404	43,532	75,426	599,944
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(2,335)	-	175,494	(75,426)	97,733
<b>OTHER FINANCING USES</b>					
Transfers out	-	-	(14)	-	(14)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES</b>	(2,335)	-	175,480	(75,426)	97,719
<b>FUND BALANCES, UNRESERVED, BEGINNING OF YEAR</b>	(1,021)	-	262,365	108,367	369,711
<b>FUND BALANCES, UNRESERVED, END OF YEAR</b>	\$ (3,356)	\$ -	\$ 437,845	\$ 32,941	\$ 467,430

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005**

**SCHEDULE 3**

	<u>ROE/ISC Operations</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
State sources	\$ 198,331	\$ 198,331	\$ -
Local sources			
Interest	-	724	724
On-behalf payments	-	237,192	237,192
	<u>198,331</u>	<u>436,247</u>	<u>237,916</u>
Total revenues			
<b>EXPENDITURES</b>			
Salaries	66,000	66,133	(133)
Benefits	21,500	21,002	498
Purchased services	110,531	114,117	(3,586)
Supplies and materials	300	138	162
On-behalf payments	-	237,192	(237,192)
	<u>198,331</u>	<u>438,582</u>	<u>(240,251)</u>
Total expenditures			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>(2,335)</u>	<u>\$ (2,335)</u>
<b>FUND BALANCE, July 1, 2004</b>		<u>(1,021)</u>	
<b>FUND BALANCE, June 30, 2005</b>		<u>\$ (3,356)</u>	



KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 JUNE 30, 2005

SCHEDULE 4

	ROE/ISC Technology	Federal Special Education - IDEA Flow- Through	Regional Safe Schools	General State Aid	Truants' Alternative and Optional Education Program (TAP)
<b>ASSETS</b>					
Cash (overdrafts)	\$ (5,196)	\$ 3,380	\$ 294,212	\$ 179,858	\$ 25,317
Investments	-	-	-	30,205	-
Due from other governmental agencies	5,686	-	94,926	-	29,663
<b>TOTAL ASSETS</b>	<u>490</u>	<u>3,380</u>	<u>389,138</u>	<u>210,063</u>	<u>54,980</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	32	3,977	306,186	2,500	40,370
Due to other governmental agencies	444	-	93,676	-	52
Deferred revenues	-	-	-	-	-
Total liabilities	<u>476</u>	<u>3,977</u>	<u>399,862</u>	<u>2,500</u>	<u>40,422</u>
<b>FUND BALANCES</b>					
Fund balances (deficit), unreserved	14	(597)	(10,724)	207,563	14,558
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 490</u>	<u>\$ 3,380</u>	<u>\$ 389,138</u>	<u>\$ 210,063</u>	<u>\$ 54,980</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 JUNE 30, 2005

SCHEDULE 4  
 (CONTINUED)

	Career Awareness and Development Program	Career & Technical Education Improvement	SOS - Q4 Teacher Quality	Title V - Innovative Programs - SEA Projects	Title II - Teacher Quality Leadership
<b>ASSETS</b>					
Cash (overdrafts)	\$ 71	\$ -	\$ -	\$ -	\$ 9,137
Investments	-	-	-	-	-
Due from other governmental agencies	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>71</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,137</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	-	-	-	-	3,529
Due to other governmental agencies	-	-	-	-	-
Deferred revenues	-	-	-	-	5,608
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,137</u>
<b>FUND BALANCES</b>					
Fund balances (deficit), unreserved	71	-	-	-	-
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 71</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,137</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 JUNE 30, 2005

SCHEDULE 4  
 (CONTINUED)

	FY 04 Title I - Reading First Part B SEA Funds	FY 05 Title I - Reading First Part B SEA Funds	Title I - School Improvement & Accountability	Reading First Coordinator	Reading First Technical Assistant
<b>ASSETS</b>					
Cash (overdrafts)	\$ 36,377	\$ 25,179	\$ 21,504	\$ 43,415	\$ 42,515
Investments	-	-	-	-	-
Due from other governmental agencies	-	-	5,400	-	-
<b>TOTAL ASSETS</b>	<u>36,377</u>	<u>25,179</u>	<u>26,904</u>	<u>43,415</u>	<u>42,515</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	6,753	-	77,163	-	-
Due to other governmental agencies	-	-	-	-	-
Deferred revenues	28,514	25,738	-	43,253	42,321
Total liabilities	<u>35,267</u>	<u>25,738</u>	<u>77,163</u>	<u>43,253</u>	<u>42,321</u>
<b>FUND BALANCES</b>					
Fund balances (deficit), unreserved	1,110	(559)	(50,259)	162	194
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 36,377</u>	<u>\$ 25,179</u>	<u>\$ 26,904</u>	<u>\$ 43,415</u>	<u>\$ 42,515</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 JUNE 30, 2005

SCHEDULE 4  
 (CONTINUED)

	McKinney Education for Homeless Children	Technology - Enhancing Education - Competitive	Title IV - Community Service	Total
<b>ASSETS</b>				
Cash (overdrafts)	\$ 204,295	\$ (57,919)	\$ 325	\$ 822,470
Investments	-	-	-	30,205
Due from other governmental agencies	-	65,816	-	201,491
<b>TOTAL ASSETS</b>	<u>204,295</u>	<u>7,897</u>	<u>325</u>	<u>1,054,166</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	21,723	6,774	14	469,021
Due to other governmental agencies	-	-	-	94,172
Deferred revenues	181,296	-	-	326,730
Total liabilities	<u>203,019</u>	<u>6,774</u>	<u>14</u>	<u>889,923</u>
<b>FUND BALANCES</b>				
Fund balances (deficit), unreserved	<u>1,276</u>	<u>1,123</u>	<u>311</u>	<u>164,243</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 204,295</u>	<u>\$ 7,897</u>	<u>\$ 325</u>	<u>\$ 1,054,166</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 5

	ROE/ISC Technology	Federal Special Education - IDEA Flow-Through	Regional Safe Schools	General State Aid	Truants' Alternative and Optional Education Program (TAP)
<b>REVENUES</b>					
Federal sources	\$ -	\$ 117,000	\$ -	\$ 33,706	\$ -
State sources	67,789	-	819,276	168,527	339,611
Local sources	-	-	-	-	-
Interest	-	38	2,359	636	296
Total revenues	<u>67,789</u>	<u>117,038</u>	<u>821,635</u>	<u>202,869</u>	<u>339,907</u>
<b>EXPENDITURES</b>					
Salaries	41,500	76,767	216,403	12,246	245,954
Benefits	10,438	21,600	53,137	2,796	71,795
Purchased services	14,351	15,962	31,648	283,839	21,379
Supplies and materials	1,500	2,140	747	2,460	483
Capital expenditures	-	1,217	4,592	8,504	-
Payments to other governments	-	-	512,750	-	-
Total expenditures	<u>67,789</u>	<u>117,686</u>	<u>819,277</u>	<u>309,845</u>	<u>339,611</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	(648)	2,358	(106,976)	296
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	14	-	(13,500)	-	13,500
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING (SOURCES) USES OVER EXPENDITURES</b>	14	(648)	(11,142)	(106,976)	13,796
<b>FUND BALANCES, UNRESERVED, BEGINNING OF YEAR</b>	-	51	418	314,539	762
<b>FUND BALANCES (DEFICIT), UNRESERVED, END OF YEAR</b>	\$ 14	\$ (597)	\$ (10,724)	\$ 207,563	\$ 14,558

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 5  
 (CONTINUED)

	Career Awareness and Development Program	Career & Technical Education Improvement	SOS - Q4 Teacher Quality	Title V - Innovative Programs - SEA Projects	Title II - Teacher Quality Leadership
<b>REVENUES</b>					
Federal sources	\$ -	\$ -	\$ -	\$ 9,000	\$ 25,046
State sources	71	1,860	28,000	-	-
Local sources	-	-	-	-	-
Interest	-	-	-	-	-
Total revenues	71	1,860	28,000	9,000	25,046
<b>EXPENDITURES</b>					
Salaries	-	-	5,000	-	-
Benefits	-	-	-	-	-
Purchased services	-	1,860	23,000	3,731	25,046
Supplies and materials	-	-	-	438	-
Capital expenditures	-	-	-	4,831	-
Payments to other governments	-	-	-	-	-
Total expenditures	-	1,860	28,000	9,000	25,046
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	71	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING (SOURCES) USES OVER EXPENDITURES</b>	71	-	-	-	-
<b>FUND BALANCES, UNRESERVED, BEGINNING OF YEAR</b>	-	-	-	-	-
<b>FUND BALANCES (DEFICIT), UNRESERVED, END OF YEAR</b>	\$ 71	\$ -	\$ -	\$ -	\$ -

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 5  
 (CONTINUED)

	FY 04 Title I - Reading First Part B SEA Funds	FY 05 Title I - Reading First Part B SEA Funds	Title I - School Improvement & Accountability	Reading First Coordinator	Reading First Technical Assistant
<b>REVENUES</b>					
Federal sources	\$ 46,607	\$ 59,010	\$ 510,760	\$ 23,898	\$ 29,959
State sources	-	-	20,609	-	-
Local sources	448	272	378	162	256
Interest	-	-	-	-	-
Total revenues	<u>47,055</u>	<u>59,282</u>	<u>531,747</u>	<u>24,060</u>	<u>30,215</u>
<b>EXPENDITURES</b>					
Salaries	8,350	9,300	5,000	17,000	-
Benefits	3,317	5,399	525	4,925	-
Purchased services	34,100	37,621	566,371	1,973	26,231
Supplies and materials	840	3,987	10,210	-	3,790
Capital expenditures	-	3,599	-	-	-
Payments to other governments	-	-	-	-	-
Total expenditures	<u>46,607</u>	<u>59,906</u>	<u>582,106</u>	<u>23,898</u>	<u>30,021</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	448	(624)	(50,359)	162	194
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING (SOURCES) USES OVER EXPENDITURES</b>	448	(624)	(50,359)	162	194
<b>FUND BALANCES, UNRESERVED, BEGINNING OF YEAR</b>	662	65	100	-	-
<b>FUND BALANCES (DEFICIT), UNRESERVED, END OF YEAR</b>	<u>\$ 1,110</u>	<u>\$ (559)</u>	<u>\$ (50,259)</u>	<u>\$ 162</u>	<u>\$ 194</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 5  
 (CONTINUED)

	McKinney Education for Homeless Children	Technology - Enhancing Education - Competitive	Title IV - Community Service	Total
<b>REVENUES</b>				
Federal sources	\$ 341,540	\$ 598,682	\$ 22,771	\$ 1,817,979
State sources	-	-	-	1,445,743
Local sources				
Interest	1,237	699	80	6,861
Total revenues	<u>342,777</u>	<u>599,381</u>	<u>22,851</u>	<u>3,270,583</u>
<b>EXPENDITURES</b>				
Salaries	134,456	64,025	5,667	841,668
Benefits	33,725	19,885	2,000	229,542
Purchased services	166,864	465,948	15,104	1,735,028
Supplies and materials	5,200	5,015	-	36,810
Capital expenditures	1,295	43,807	-	67,845
Payments to other governments	-	-	-	512,750
Total expenditures	<u>341,540</u>	<u>598,680</u>	<u>22,771</u>	<u>3,423,643</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	1,237	701	80	(153,060)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	-	-	-	14
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING (SOURCES) USES OVER EXPENDITURES</b>	1,237	701	80	(153,046)
<b>FUND BALANCES, UNRESERVED, BEGINNING OF YEAR</b>	39	422	231	317,289
<b>FUND BALANCES (DEFICIT), UNRESERVED, END OF YEAR</b>	\$ 1,276	\$ 1,123	\$ 311	\$ 164,243



KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 6

	ROE/ISC Technology			Regional Safe Schools			Variance Favorable (Unfavorable)
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
<b>REVENUES</b>							
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	68,233	67,789	(444)	834,870	819,276	(15,594)	(15,594)
Local sources	-	-	-	-	-	-	-
Interest	-	-	-	-	2,359	2,359	2,359
Total revenues	<u>68,233</u>	<u>67,789</u>	<u>(444)</u>	<u>834,870</u>	<u>821,635</u>	<u>(13,235)</u>	<u>(13,235)</u>
<b>EXPENDITURES</b>							
Salaries	41,500	41,500	-	201,341	216,403	(15,062)	(15,062)
Benefits	9,130	10,438	(1,308)	52,400	53,137	(737)	(737)
Purchased services	15,103	14,351	752	37,500	31,648	5,852	5,852
Supplies and materials	1,500	1,500	-	10,000	747	9,253	9,253
Capital expenditures	1,000	-	1,000	18,874	4,592	14,282	14,282
Payments to other governments	-	-	-	514,755	512,750	2,005	2,005
Total expenditures	<u>68,233</u>	<u>67,789</u>	<u>444</u>	<u>834,870</u>	<u>819,277</u>	<u>15,593</u>	<u>15,593</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	\$ -	\$ -	\$ -	\$ -	2,358	\$ 2,358	\$ 2,358
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in (out)	-	14	-	-	(13,500)	13,486	13,486
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES</b>							
		14			(11,142)	11,156	11,156
<b>FUND BALANCES, July 1, 2004</b>					418	418	418
<b>FUND BALANCES (DEFICIT), June 30, 2005</b>		\$ 14			\$ (10,724)	\$ (10,710)	\$ (10,710)

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 6  
 (CONTINUED)

	Truants' Alternative and Optional Education Program (TAP)			FY04 Title I - Reading First Part B SEA Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Federal sources	\$ -	\$ -	\$ -	\$ 106,439	\$ 46,607	\$ (59,832)
State sources	339,663	339,611	(52)	-	-	-
Local sources	-	296	296	-	448	448
Interest	-	-	-	-	-	-
Total revenues	339,663	339,907	244	106,439	47,055	(59,384)
<b>EXPENDITURES</b>						
Salaries	255,370	245,954	9,416	16,700	8,350	8,350
Benefits	63,283	71,795	(8,512)	5,059	3,317	1,742
Purchased services	20,510	21,379	(869)	78,587	34,100	44,487
Supplies and materials	500	483	17	6,093	840	5,253
Capital expenditures	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-
Total expenditures	339,663	339,611	52	106,439	46,607	59,832
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	\$ -	296	\$ 296	\$ -	448	\$ 448
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in (out)	-	13,500	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES</b>						
		13,796	448		448	
<b>FUND BALANCES, July 1, 2004</b>		762	662			
<b>FUND BALANCES (DEFICIT), June 30, 2005</b>		\$ 14,558	\$ 1,110			

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 6  
 (CONTINUED)

	McKinney Education for Homeless Children		Technology - Enhancing Education - Competitive		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
<b>REVENUES</b>					
Federal sources	\$ 538,843	\$ 341,540	\$ 573,102	\$ 598,682	\$ 25,580
State sources	-	-	-	-	-
Local sources	-	1,237	-	699	699
Interest	-	-	-	-	-
Total revenues	<u>538,843</u>	<u>342,777</u>	<u>573,102</u>	<u>599,381</u>	<u>26,279</u>
<b>EXPENDITURES</b>					
Salaries	157,166	134,456	66,000	64,025	1,975
Benefits	33,440	33,725	19,365	19,885	(520)
Purchased services	318,237	166,864	471,467	465,948	5,519
Supplies and materials	20,000	5,200	6,670	5,015	1,655
Capital expenditures	10,000	1,295	9,600	43,807	(34,207)
Payments to other governments	-	-	-	-	-
Total expenditures	<u>538,843</u>	<u>341,540</u>	<u>573,102</u>	<u>598,680</u>	<u>(25,578)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	\$ -	\$ 1,237	\$ -	\$ 701	\$ 701
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES</b>		1,237		701	
<b>FUND BALANCES, July 1, 2004</b>		39		422	
<b>FUND BALANCES (DEFICIT), June 30, 2005</b>	\$ -	\$ 1,276		\$ 1,123	

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 6  
 (CONTINUED)

	FY05 Title I - Reading First Part B SEA Funds			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Federal sources	\$ 104,579	\$ 59,010	\$ (45,569)	\$ 1,322,963	\$ 1,045,839	\$ (277,124)
State sources	-	-	-	1,242,766	1,226,676	(16,090)
Local sources	-	-	-	-	-	-
Interest	-	272	272	-	5,311	\$ 5,311
Total revenues	104,579	59,282	(45,297)	2,565,729	2,277,826	(287,903)
<b>EXPENDITURES</b>						
Salaries	18,600	9,300	9,300	756,677	719,988	36,689
Benefits	5,750	5,399	351	188,427	197,696	(9,269)
Purchased services	72,229	37,621	34,608	1,013,633	771,911	241,722
Supplies and materials	8,000	3,987	4,013	52,763	17,772	34,991
Capital expenditures	-	3,599	(3,599)	39,474	53,293	(13,819)
Payments to other governments	-	-	-	514,755	512,750	2,005
Total expenditures	104,579	59,906	44,673	2,565,729	2,273,410	292,319
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	\$ -	(624)	(624)	\$ -	4,416	\$ 4,416
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in (out)	-	-	-	-	14	14
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES</b>		(624)			4,430	
<b>FUND BALANCES, July 1, 2004</b>		65			2,368	
<b>FUND BALANCES (DEFICIT), June 30, 2005</b>	\$ -	(559)			\$ 6,798	

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 COMBINING BALANCE SHEET  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2005

SCHEDULE 7

	GED	Bus Driver Training	Standards Aligned			Local Truancy	Total
			Classroom	Supervisory			
Cash	\$ 70,365	\$ 7,753	\$ 17,829	\$ -	\$ 77,836	\$ 173,783	
Investments	-	-	-	-	30,205	30,205	
Accounts receivable	7,211	-	-	-	13,491	20,702	
Total assets	<u>77,576</u>	<u>7,753</u>	<u>17,829</u>	<u>-</u>	<u>121,532</u>	<u>224,690</u>	

ASSETS

Cash	\$ 70,365	\$ 7,753	\$ 17,829	\$ -	\$ 77,836	\$ 173,783
Investments	-	-	-	-	30,205	30,205
Accounts receivable	7,211	-	-	-	13,491	20,702
Total assets	<u>77,576</u>	<u>7,753</u>	<u>17,829</u>	<u>-</u>	<u>121,532</u>	<u>224,690</u>

LIABILITIES AND FUND BALANCES

Accounts payable	529	244	-	-	(399)	374
Deferred revenues	-	-	5,541	-	-	5,541
Total liabilities	<u>529</u>	<u>244</u>	<u>5,541</u>	<u>-</u>	<u>(399)</u>	<u>5,915</u>

FUND BALANCES

Fund balances, unreserved	<u>77,047</u>	<u>7,509</u>	<u>12,288</u>	<u>-</u>	<u>121,931</u>	<u>218,775</u>
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TOTAL LIABILITIES AND FUND BALANCES

\$ 77,576	\$ 7,753	\$ 17,829	\$ -	\$ 121,532	\$ 224,690
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KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

	GED	Bus Driver Training	Standards Aligned Classroom	Supervisory	Local Truancy	Total
<b>REVENUES</b>						
Federal sources	\$ -	\$ -	\$ 10,018	\$ -	\$ -	\$ 10,018
State sources	-	1,440	-	1,000	-	2,440
Local sources	-	-	-	-	-	-
Intergovernmental Services	49,097	7,773	-	-	13,490	13,490
Interest	-	-	-	-	636	636
Total revenues	49,097	9,213	10,018	1,000	14,126	83,454
<b>EXPENDITURES</b>						
Purchased services	17,051	6,553	10,018	1,000	-	34,622
Supplies and materials	24,073	235	-	-	-	24,308
Miscellaneous	70	-	-	-	360	430
Total expenditures	41,194	6,788	10,018	1,000	360	59,360
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	7,903	2,425	-	-	13,766	24,094
<b>OTHER FINANCING USES</b>						
Transfers out	-	(4)	-	-	-	(4)
<b>EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES</b>	7,903	2,421	-	-	13,766	24,090
<b>FUND BALANCES, UNRESERVED, BEGINNING OF YEAR</b>	69,144	5,088	12,288	-	108,165	194,685
<b>FUND BALANCES, UNRESERVED, END OF YEAR</b>	\$ 77,047	\$ 7,509	\$ 12,288	\$ -	\$ 121,931	\$ 218,775

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 COMBINING STATEMENT OF NET ASSETS  
 NONMAJOR PROPRIETARY FUNDS  
 JUNE 30, 2005

SCHEDULE 9

	Visual Media Cooperative	Business Partners Initiative	Technology	Local Counselors Academy	Criminal Background Investigation	Kane County Human Resources Consortium	Total
<b>ASSETS</b>							
Current assets							
Cash	\$ 44,569	\$ 19,709	\$ 41,281	\$ -	\$ (2,532)	\$ 57,955	\$ 160,982
Accounts receivable	21	-	22,828	-	-	32,000	54,849
Total current assets	44,590	19,709	64,109	-	(2,532)	89,955	215,831
<b>Noncurrent assets</b>							
Capital assets, net	-	-	-	-	13,056	-	13,056
Total noncurrent assets	-	-	-	-	13,056	-	13,056
<b>TOTAL ASSETS</b>	44,590	19,709	64,109	-	10,524	89,955	228,887
<b>LIABILITIES</b>							
Accounts payable	-	-	-	3,338	-	-	3,338
Due to other governmental agencies	37,107	-	-	-	-	-	37,107
<b>TOTAL LIABILITIES</b>	37,107	-	-	3,338	-	-	40,445
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	-	-	-	-	13,056	-	13,056
Unrestricted	7,483	19,709	64,109	(3,338)	(2,532)	89,955	175,386
<b>TOTAL NET ASSETS</b>	\$ 7,483	\$ 19,709	\$ 64,109	\$ (3,338)	\$ 10,524	\$ 89,955	\$ 188,442

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 NONMAJOR PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 10

	Visual Media Cooperative	Business Partners Initiative	Technology	Local Counselors Academy	Criminal Background Investigation	Kane County Human Resources Consortium	Total
<b>OPERATING REVENUES</b>							
Local sources							
Intergovernmental	\$ -	\$ -	\$ -	\$ 3,860	\$ -	\$ 84,000	\$ 87,860
Services	340	28,181	29,548	-	30,650	-	88,719
Total operating revenues	340	28,181	29,548	3,860	30,650	84,000	176,579
<b>OPERATING EXPENSES</b>							
Salaries	-	-	-	500	-	-	500
Benefits	-	-	-	151	-	-	151
Purchased services	-	-	-	75,347	17,367	40,311	133,025
Depreciation	-	-	-	-	2,009	-	2,009
Supplies and materials	-	8,472	1,610	2,607	750	146	13,585
Total operating expenses	-	8,472	1,610	78,605	20,126	40,457	149,270
<b>OPERATING INCOME (LOSS)</b>	340	19,709	27,938	(74,745)	10,524	43,543	27,309
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in (out)	-	-	-	82,496	-	-	82,496
<b>CHANGES IN NET ASSETS</b>	340	19,709	27,938	7,751	10,524	43,543	109,805
<b>NET ASSETS, July 1, 2004</b>	7,143	-	36,171	(11,089)	-	46,412	78,637
<b>NET ASSETS, June 30, 2005</b>	\$ 7,483	\$ 19,709	\$ 64,109	\$ (3,338)	\$ 10,524	\$ 89,955	\$ 188,442



KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

	Visual Media Cooperative	Business Partners Initiative	Technology	Local Counselors Academy	Criminal Background Investigation	Kane County Human Resources Consortium	Total
\$	340	28,181	6,720	3,860	30,650	52,000	\$ 121,751
	(86)	(26,657)	(722)	(87,487)	(18,117)	(42,522)	(175,591)
	254	1,524	5,998	(83,627)	12,533	9,478	(53,840)
	-	-	-	82,496	-	-	82,496
	-	-	-	82,496	-	-	82,496
	-	-	-	-	(15,065)	-	(15,065)
	-	-	-	-	(15,065)	-	(15,065)
	254	1,524	5,998	(1,131)	(2,532)	9,478	13,591
	44,315	18,185	35,283	1,131	-	48,477	147,391
\$	44,569	19,709	41,281	-	(2,532)	57,955	\$ 160,982
\$	340	19,709	27,938	(74,745)	10,524	43,543	\$ 27,309
	-	-	-	-	2,009	-	2,009
	-	-	(22,828)	-	-	(32,000)	(54,828)
	(86)	(18,185)	888	(8,882)	-	(2,065)	(28,330)
\$	254	1,524	5,998	(83,627)	12,533	9,478	\$ (53,840)

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts for workshops and services  
 Payments to suppliers  
 Net cash provided by (used in) operating activities

**CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:**

Cash transfers from other funds  
 Net cash provided by noncapital financing activities

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:**

Purchases of capital assets  
 Net cash used in capital financing activities

**NET INCREASE (DECREASE) IN CASH**

**CASH, BEGINNING OF YEAR**

**CASH (OVERDRAFTS), END OF YEAR**

**Reconciliation of operating income (loss) to net cash provided by (used in)**

in operating activities:  
 Operating income (loss)  
 Adjustments to reconcile operating income (loss) to net cash provided by  
 (used in) operating activities:  
 Depreciation  
 Effects of changes in assets and liabilities:  
 Accounts receivable  
 Accounts payable

Net cash provided by (used in) operating activities

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 AGENCY FUNDS  
 JUNE 30, 2005

SCHEDULE 12

	Payroll	Juvenile Drug Court	Distributive Fund	Miscellaneous Fiscal Adm. IACO	Total
ASSETS					
Cash	\$ 85,056	\$ 16,982	\$ -	\$ -	\$ 102,038
LIABILITIES					
Due to other governmental agencies	\$ 85,056	\$ 16,982	\$ -	\$ -	\$ 102,038

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 13

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b>PAYROLL</b>				
<b>ASSETS</b>				
Cash	\$ 70,751	\$ 2,835,189	\$ 2,820,884	\$ 85,056
<b>LIABILITIES</b>				
Due to other governmental agencies	\$ 70,751	\$ 2,835,189	\$ 2,820,884	\$ 85,056
<b>JUVENILE DRUG COURT</b>				
<b>ASSETS</b>				
Cash	\$ 27,891	\$ 96,043	\$ 106,952	\$ 16,982
<b>LIABILITIES</b>				
Due to other governmental agencies	\$ 27,891	\$ 96,043	\$ 106,952	\$ 16,982
<b>DISTRIBUTIVE</b>				
<b>ASSETS</b>				
Cash	\$ 7,842	\$ 1,519,177	\$ 1,527,019	\$ -
<b>LIABILITIES</b>				
Due to other governmental agencies	\$ 7,842	\$ 1,519,177	\$ 1,527,019	\$ -
<b>MISCELLANEOUS FISCAL ADM. - IACO</b>				
<b>ASSETS</b>				
Cash	\$ 6,134	\$ 725	\$ 6,859	\$ -
<b>LIABILITIES</b>				
Due to other governmental agencies	\$ 6,134	\$ 725	\$ 6,859	\$ -
<b>TOTAL</b>				
<b>ASSETS</b>				
Cash	\$ 112,618	\$ 4,451,134	\$ 4,461,714	\$ 102,038
<b>LIABILITIES</b>				
Due to other governmental agencies	\$ 112,618	\$ 4,451,134	\$ 4,461,714	\$ 102,038

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT  
TREASURERS AND OTHER ENTITIES  
DISTRIBUTIVE FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

**SCHEDULE 14**

**Valley Education for Employment System**

Vocational Education - Tech. Prep.	\$ 91,740
Vocational Education - Career and Technical Education Improvement	934,882
Vocational Education - Agriculture Education	28,812
Vocational Education - Perkins - IIE	471,585
	<hr/>
	\$ 1,527,019
	<hr/> <hr/>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 15

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2005 Expenditures
<b>DEPARTMENT OF EDUCATION</b>			
Reading First State Grants			
Passed-Through Illinois State Board of Education			
<i>Title I - Reading First Part B SEA Funds</i>	84.357A	2005-4337-00	\$ 46,607
<i>Title I - Reading First Part B SEA Funds</i>	84.357A	2005-4337-02	59,906
Passed-Through Lake County Regional Office of Education No. 34			
<i>Title I - Reading First Part B SEA Funds</i>	84.357A	2005-4337-01	23,898
<i>Title I - Reading First Part B SEA Funds</i>	84.357A	2005-4337-04	30,021
			<u>160,432</u>
Education for Homeless Children and Youth			
Passed-Through Illinois State Board of Education			
<i>McKinney Education for Homeless Children</i> (M)	84.196A	2005-4920-00	<u>341,540</u>
Education Technology State Grants			
Passed-Through Illinois State Board of Education			
<i>Technology - Enhancing Education - Competitive</i> (M)	84.318X	2004-4972-00	2,541
<i>Technology - Enhancing Education - Competitive</i> (M)	84.318X	2005-4972-00	596,139
			<u>598,680</u>
Safe and Drug Free Schools and Communities National Program			
Passed-Through Illinois State Board of Education			
<i>Title IV - Community Service</i>	84.184C	2004-4420-00	<u>22,771</u>
Special Education Grants to States			
Passed-Through Northern Suburban Special Education District			
<i>Federal Special Education - IDEA Flow-Through</i>	84.027	2005-4630-01	<u>117,000</u>
Standards Aligned Classroom Grants			
Passed-Through Will County Regional Office of Education No. 56			
<i>Standards Aligned Classroom</i>	84.289A	2005-4999-00	<u>10,018</u>
State Grants for Innovative Program			
Passed-Through Will County Regional Office of Education No. 56			
<i>Title V - Innovative Programs - SEA Projects</i>	84.298A	2005-4105-SS	<u>9,000</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	2005-4935-SS	<u>25,046</u>
Title I Grants to Local Educational Agencies			
Passed-Through Will County Regional Office of Education No. 56			
<i>Title I - School Improvement &amp; Accountability</i> (M)	84.010A	2005-4331-SS	<u>510,760</u>
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 1,795,247</b>
<b>DEPARTMENT OF JUSTICE</b>			
Drug Court Discretionary Grant Program			
Passed-Through St. Charles School District No. 303			
<i>Youth Home Education</i> (M)	16.585		<u>\$ 427,574</u>
<b>TOTAL DEPARTMENT OF JUSTICE</b>			<b>\$ 427,574</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Temporary Assistance for Needy Families			
Passed-Through Illinois State Board of Education			
<i>Regional Safe Schools - General State Aid - Sec. 18-8 (TANF)</i>	93.558	2005-3001-93	<u>\$ 33,706</u>
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 33,706</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,256,527</b>

(M) Program was audited as a major program

*The accompanying notes are an integral part of this schedule.*

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

**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 Major Federal Program**

The Technology - Enhancing Education - Competitive was designed to: 1) improve student academic achievement through the use of technology in schools; 2) assist all students in becoming technology literate by the end of eighth grade; and 3) encourage the effective integration of technology with teachers training and curriculum development to establish successful research-based instructional methods.

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

Youth Home Education was designed to provide an educational program for the students at the Juvenile Justice Center. The program is funded by the U. S. Department of Justice passed through St. Charles Community Unit School District No. 303.

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Note 4. Non-Cash Assistance**

Not Applicable.

**Note 5. Amount of Insurance**

Not Applicable.

**Note 6. Loans or Loan Guarantees Outstanding**

Not Applicable.