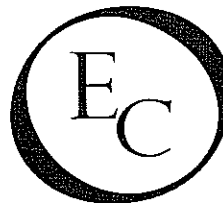


**STATE OF ILLINOIS
LAKE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 34**

**FINANCIAL AUDIT
In Accordance with the Single Audit Act and OMB Circular A-133)
FOR THE YEAR ENDED JUNE 30, 2006**

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



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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

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LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

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LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

OFFICIALS

Regional Superintendent
(current and during the audit period)

Ms. Roycealee Wood

Assistant Regional Superintendent
(current and during the audit period)

Ms. Mary Penich

Office is located at:

800 Lancer Lane
Grayslake, Illinois 60030-2656

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
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	1	1
Repeated audit findings	1	-
Prior recommendations implemented or not repeated	-	-

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)	
06-1	12	Controls Over Compliance with Laws and Regulations	05-1
		FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)	
		None	N/A
		PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)	
		None	N/A
		PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)	
		None	N/A

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
JUNE 30, 2006

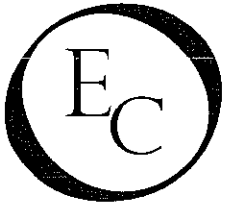
EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on December 14, 2006 held at the Lake County Regional Office of Education No. 34, 800 Lancer Lane, Grayslake, Illinois 60030. Representing the ROE were Roycealee Wood, Regional Superintendent, Kay Klemens, Accountant, Mary Marchetti, Accountant, and Chris Kraemer, Bookkeeper. Representing E. C. Ortiz & Co., LLP were Stella B. Santos, Partner and Leilani N. Rodrigo, Manager. Responses to the recommendations were provided by Roycealee Wood in a letter dated May 17, 2007.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying basic financial statements of the Lake County Regional Office No. 34 was performed by E. C. Ortiz & Co., LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Lake County Regional Office No. 34's basic financial statements.



INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake County Regional Office of Education No. 34, as of and for the year ended June 30, 2006, which collectively comprise the Lake County Regional Office of Education No. 34's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lake County Regional Office of Education No. 34'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 of 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 Lake County Regional Office of Education No. 34, as of June 30, 2006, 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 18, 2006 on our consideration of the Lake County Regional Office of Education No. 34'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

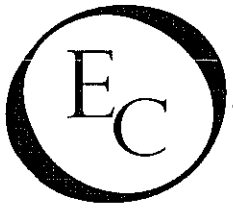
performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* on pages 19 through 24 is not a required part of the basic financial statements but is 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 Lake County Regional Office of Education No. 34's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to School District Treasurers and Others are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Others, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

E. C. Cortiz & Co. LLP

Chicago, Illinois
October 18, 2006



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

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake County Regional Office of Education No. 34, as of and for the year ended June 30, 2006, which collectively comprise the Lake County Regional Office of Education No. 34's basic financial statements and have issued our report thereon dated October 18, 2006. 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 Lake County Regional Office of Education No. 34'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

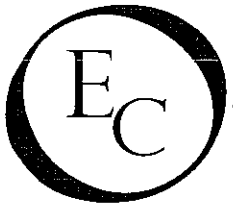
As part of obtaining reasonable assurance about whether the Lake County Regional Office of Education No. 34's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with 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 we reported on the accompanying Schedule of Findings and Questioned Costs as item 06-1.

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, the Illinois State Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

E. C. Artig & Co. LLP

Chicago, Illinois
October 18, 2006



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

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the Lake County Regional Office of Education No. 34 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, 2006. The Lake County Regional Office of Education No. 34'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 Lake County Regional Office of Education No. 34's management. Our responsibility is to express an opinion on the Lake County Regional Office of Education No. 34'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 Lake County Regional Office of Education No. 34'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 Lake County Regional Office of Education No. 34's compliance with those requirements.

In our opinion, the Lake County Regional Office of Education No. 34 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, 2006.

Internal Control Over Compliance

The management of the Lake County Regional Office of Education No. 34 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 Lake County Regional Office of Education No. 34'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 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 operation that we consider to be material weaknesses.

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. Ortig & Co. LLP

Chicago, Illinois
October 18, 2006

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Part I: Summary of Auditor's 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)? _____ Yes X 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 Circular A-133, Section .510(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I - School Improvement & Accountability

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

Auditee qualified as low-risk auditee? X Yes _____ No

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Part II: Findings Related to the Basic Financial Statements

FINDING NO. 06-1 - Controls Over Compliance with Laws and Regulations (Repeated from 2005 - Finding No. 05-1)

Criteria/Specific Requirements:

- A. 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 her educational service region, and if she 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.)
- B. The Illinois School Code 105 ILCS 5/3-5 states that the county superintendent shall present under oath or affirmation to the county board at its meeting in September and as nearly quarterly thereafter as it may have regular or special meetings, a report of all her acts as county superintendent, including a list of all the schools visited with the dates of visitation. (This mandate has existed in its current form since at least 1953.)
- C. The Illinois School Code 105 ILCS 5/3-14.5 requires the Regional Superintendent to visit each public school in the county at least once a year, noting the methods of instruction, the branches taught, the text-books used, and the discipline, government and general condition of the schools. (This mandate has existed in its current form since at least 1953.)

Conditions:

- A. The Regional Office of Education No. 34 is not examining all books, accounts, and vouchers of every school treasurer in her 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 has been examining school district financial statements on an annual basis.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

FINDING NO. 06-1 - Controls Over Compliance with Laws and Regulations (Repeated from 2005 - Finding No. 05-1) (Continued)

Conditions (Continued):

- B. The Regional Office of Education No. 34 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all her acts including a list of all the schools visited and dates of visitation. The Regional Superintendent submitted to the county board her annual report. The annual report included statistics on major areas of activities of the ROE, including the inspections of school buildings within its region. Details of the dates of visits and other statistics are provided to the board upon request.
- C. The Regional Office of Education No. 34 performs compliance inspections for each public school in her region on a rotational basis every five years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.

Effect:

The Regional Office of Education No. 34 did not comply with statutory requirements.

Causes:

- A. The Regional Office of Education No. 34 management stated that the procedures currently being performed are deemed sufficient to comply with this mandate and that this mandate is outdated.
- B. According to the Regional Superintendent, presentation to the county board is done only when scheduled by the board. The ROE submits the annual report to the county every year. The annual report is believed to have all the pertinent information about the ROE's operations and details of any visits and dates of visitation are available upon request.
- C. The Regional Superintendent stated that the periodic compliance visits on a cycle basis completed at the public schools were sufficient to satisfy the statutory requirement. In addition, due to the magnitude of the task and the limited budget, the visit could not be performed for each public school in the district on an annual basis.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

FINDING NO. 06-1 - Controls Over Compliance with Laws and Regulations (Repeated from 2005 - Finding No. 05-1) (Continued)

Recommendations:

- A. The Regional Office of Education No. 34 should comply with the requirements of 105 ILCS 5/3-14.11.
- B. The Regional Superintendent should attend the county board meeting in September and quarterly thereafter as it may have regular or special meetings, and present a report of all her acts as county superintendent, including a list of all the schools visited with the dates of visitation as required by 105 ILCS 5/3-5.
- C. The Regional Superintendent should visit each public school annually to review all items required by 105 ILCS 5/3-14.5.

If the Regional Office believes that any of these statutory mandates are obsolete or otherwise unnecessary, then it should seek legislative action to revise the statutes accordingly.

Management's Responses:

- A. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 5/3-7 of the Illinois School Code is a more current, thorough, and comprehensive requirement concerning a public school district's financial transactions. As a result, the two parties working together will seek legislation to repeal section 5/3-14.11 of the Illinois School Code.
- B. The Regional Superintendent of Schools has spoken with the chairwoman of the Lake County board. The chairwoman has indicated that the Regional Superintendent may appear at the Committee of the Whole meeting in early September, 2007 to discuss the activities, etc. of the Lake County Regional Office of Education. A list of the dates of all Health/Life Safety visitations will be presented as well.
- C. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 1.20 of the 23rd Illinois Administrative Code is a more current, thorough, and comprehensive requirement concerning visitation of public schools by the Regional Superintendent. As a result, the two parties working together will seek legislation to repeal section 5/3-14.5 of the Illinois School Code.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NONCOMPLIANCE:

None

REPORTABLE CONDITIONS:

None

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2006**

FINDING NO. 06-1 - Controls Over Compliance with Laws and Regulations (Repeated from 2005 - Finding No. 05-1)

Conditions:

- A. The Regional Office of Education No. 34 is not examining all books, accounts, and vouchers of every school treasurer in her 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 has been examining school district financial statements on an annual basis.
- B. The Regional Office of Education No. 34 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all her acts including a list of all the schools visited and dates of visitation. The Regional Superintendent submitted to the county board her annual report. The annual report included statistics on major areas of activities of the ROE, including the inspections of school buildings within its region. Details of the dates of visits and other statistics are provided to the board upon request.
- C. The Regional Office of Education No. 34 performs compliance inspections for each public school in her region on a rotational basis every five years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.

Plans:

- A. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education will seek legislation to repeal section 5/3-14.11 of the Illinois School Code.
- B. The Regional Superintendent of Schools will appear at and interact with the Lake County Committee of the Whole of the Lake County board in Fall, 2007.
- C. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education will seek legislation to repeal section 5/3-14.5 of the Illinois School Code.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2006**

FINDING NO. 06-1 - Controls Over Compliance with Laws and Regulations (Repeated from 2005 - Finding No. 05-1) (Continued)

Anticipated Dates of Completion:

- A. Current session of the General Assembly (November 30, 2007)
- B. October 1, 2007
- C. Current session of the General Assembly (November 30, 2007)

Name of Contact Person:

Roycealee Wood, Regional Superintendent

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
05-1	Controls Over Compliance with Laws and Regulations	Repeated

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

The Lake County Regional Office of Education No. 34 (ROE No. 34) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2006 with comparative information for the year ended June 30, 2005. Readers are encouraged to consider the information in conjunction with the ROE No. 34's basic financial statements.

2006 Financial Highlights

- Within the Governmental Funds, the General Fund revenues increased by \$17,192 (2%) from \$767,909 in FY 2005 to \$785,101 in fiscal year 2006. General Fund expenditures decreased by \$82,023 (11%) from \$751,795 in FY 2005 to \$669,772 in FY 2006.
- Within the Governmental Funds, the Special Revenue Fund revenues decreased by \$607,751 (14%) from \$4,250,413 in FY 2005 to \$3,642,662 in FY 2006. The Special Revenue Fund expenditures decreased by \$487,296 (12%) from \$4,021,588 in FY 2005 to \$3,534,292 in FY 2006.
- The Proprietary Fund revenues increased by \$168,776 (74%) from \$228,207 in FY 2005 to \$396,983 in FY 2006. The Proprietary Fund expenditures increased by \$181,170 (55%) from \$330,089 in FY 2005 to \$511,259 in FY 2006.
- The ROE No. 34 has no long term debt.

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 ROE No. 34 as a whole and present an overall view of the Office's finances.
- *Fund financial statements* report the ROE No. 34'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 and supports the financial statements and other supplementary information provides detailed information about the major and non-major funds.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Reporting the Lake County's Regional Office as a Whole

It is important to note that the ROE No. 34 is reported together with the following component units: Educational Services Division, Positive Alternative Services for Students, Northern Illinois Reading Recovery Consortium, ROE Safe School Program, and Regional Board of School Trustees.

The Statement of Net Assets and the Statement of Activities

The Government-wide statements report information about the ROE No. 34 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 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 Office'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 ROE No. 34'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 ROE No. 34 established other funds to control and manage money for particular purposes.

The Office has three kinds of funds:

- (1) Governmental funds account for those funds through which most governmental functions of the Office are financed. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Office's programs. The Office's Governmental Funds include: the General Fund and the Special Revenue Fund.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

The governmental funds required financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- (2) Proprietary Funds account for resources from fees charged directly to those entities or individuals that use its services. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by government-wide financial statements 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.
- (3) Fiduciary funds are used to account for assets held by the ROE No. 34 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds required financial statements include a Statement of Fiduciary Net Assets.

Government-Wide Financial Analysis

As noted earlier, net assets may serve when examined over time as one indicator of the financial position of the ROE No. 34. The net assets at the end of FY 2006 and FY 2005 totaled \$2,129,641 and \$2,006,049, respectively. The analysis that follows provides a summary of the ROE No. 34's net assets as of June 30.

CONDENSED STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
ASSETS						
Current assets	\$ 2,609,236	\$ 2,463,734	\$ (87,572)	\$ 51,846	\$ 2,521,664	\$ 2,515,580
Capital assets, net of depreciation	20,668	6,499	7,781	11,151	28,449	17,650
TOTAL ASSETS	<u>2,629,904</u>	<u>2,470,233</u>	<u>(79,791)</u>	<u>62,997</u>	<u>2,550,113</u>	<u>2,533,230</u>
Current liabilities	409,704	487,901	10,768	39,280	420,472	527,181
TOTAL LIABILITIES	<u>409,704</u>	<u>487,901</u>	<u>10,768</u>	<u>39,280</u>	<u>420,472</u>	<u>527,181</u>
NET ASSETS						
Invested in capital assets net of related debt	20,668	6,499	7,781	11,151	28,449	17,650
Restricted	337,158	230,986	-	-	337,158	230,986
Unrestricted	1,862,374	1,744,847	(98,340)	12,566	1,764,034	1,757,413
TOTAL NET ASSETS	<u>\$ 2,220,200</u>	<u>\$ 1,982,332</u>	<u>\$ (90,559)</u>	<u>\$ 23,717</u>	<u>\$ 2,129,641</u>	<u>\$ 2,006,049</u>

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

The ROE No. 34's net assets increased by \$123,592 (6%) from FY 2005. The increase occurred primarily in the General and Institute Funds. In addition, net assets related to the Teacher Institute Fund are considered restricted for teacher professional development.

CHANGES IN NET ASSETS

The following analysis shows the changes in net assets for the years ended June 30, 2005 and 2006.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 1,189,474	\$ 523,883	\$ 396,983	\$ 228,207	\$ 1,586,457	\$ 752,090
Operating grants and contributions	2,438,096	3,712,984	-	-	2,438,096	3,712,984
General revenues:						
State and local sources	524,697	491,042	-	-	524,697	491,042
Interest income	29,678	21,877	-	-	29,678	21,877
On-behalf payments	245,818	268,536	-	-	245,818	268,536
Total revenues	4,427,763	5,018,322	396,983	228,207	4,824,746	5,246,529
Expenses:						
Salaries	1,533,316	1,201,681	217,229	118,905	1,750,545	1,320,586
Benefits	392,265	424,852	85,811	30,350	478,076	455,202
Purchased services	677,281	913,794	156,707	145,716	833,988	1,059,510
Supplies and materials	112,975	70,269	34,944	20,856	147,919	91,125
Capital expenditures	8,346	4,783	4,834	5,477	13,180	10,260
Depreciation	4,537	18,516	3,370	2,459	7,907	20,975
Payments to other governmental units	1,140,657	1,880,355	-	-	1,140,657	1,880,355
Miscellaneous	74,700	9,163	8,364	6,326	83,064	15,489
On-behalf payments	245,818	268,536	-	-	245,818	268,536
Total expenses	4,189,895	4,791,949	511,259	330,089	4,701,154	5,122,038
Change in net assets	237,868	226,373	(114,276)	(101,882)	123,592	124,491
Net assets, beginning	1,982,332	1,755,959	23,717	125,599	2,006,049	1,881,558
Net assets, ending	\$ 2,220,200	\$ 1,982,332	\$ (90,559)	\$ 23,717	\$ 2,129,641	\$ 2,006,049

Governmental Activities

Revenues for governmental fund activities were \$4,427,763 and expenses were \$4,189,895. Educational Service Division (ESD) Local Operations revenues increased by \$30,996 due to increase in the number of students enrolled for FY 2006. In addition, the increase in Institute Fund revenues is attributed to the increase in teacher certification. Title I - Reading First Part B SEA Funds and Technology Enhancing Education - Competitive grants have been severely cut in funding, thus revenues decreased by \$319,728 and \$911,782, respectively. Program expenditures were proportionally decreased to meet the funding level.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Business-Type Activities

In FY 2006, revenues and expenditures for business-type activities increased by \$168,776, and \$181,170, respectively. The increase in revenues and expenditures is due mainly to the increase in the local and networking for information workshops conducted in FY 2006.

Financial Analysis of the ROE No. 34 Funds

As previously noted, the ROE No. 34 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The ROE's Governmental Funds reported combined fund balances of \$2,199,532.

Governmental Fund Highlights

- The dollar return on investments (certificate of deposit, short-term investments and interest earned on a float), remained minimal because of continuing low interest rates.
- The state aid foundation level has increased to \$5,334 per student.

Proprietary Fund Highlights

Total proprietary fund net assets decreased by \$114,276 (482%). This is attributed to the increase in salaries and benefits related to Technology Services and Language/Arts workshops.

Fiduciary Fund Highlights

There was no significant movement in fiduciary funds for FY 2006. Total fiduciary net assets only decreased by \$608 (53%). Transactions during FY 2006 represent mainly transfers in and out of funds for the Distributive Fund.

Budgetary Highlights

The ROE No. 34 annually adopts budgets for several funds. 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 ROE No. 34 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency.

Capital Assets

ROE No. 34's capital assets include office equipment, computers, audio-visual equipment, and office furniture. The ROE No. 34 maintains an inventory of capital assets which have

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

accumulated over time. For FY 2006, total additions amounted to \$18,706 and total retirements amounted to \$0. Depreciation expense for FY 2006 was \$7,907.

Economic Factors and Next Years' Budget

At the time these financial statements were prepared and audited, the ROE No. 34 was aware of several existing circumstances that could affect its financial condition in the future:

- Most federal and state grants have remained near or at previous levels.
- County Board support for Regional Office of Education No. 34 remains the same for FY 2006.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the ROE No. 34'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 ROE No. 34 at 800 Lancer Lane, Grayslake, Illinois 60030.

BASIC FINANCIAL STATEMENTS

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 STATEMENT OF NET ASSETS
 JUNE 30, 2006

EXHIBIT A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,649,888	\$ 60,608	\$ 1,710,496
Investments	468,028	-	468,028
Accounts receivable	3,950	16,835	20,785
Due from (to) other funds	165,015	(165,015)	-
Due from other governments	322,355	-	322,355
Total current assets	<u>2,609,236</u>	<u>(87,572)</u>	<u>2,521,664</u>
Noncurrent assets			
Capital assets, net	<u>20,668</u>	<u>7,781</u>	<u>28,449</u>
TOTAL ASSETS	<u>2,629,904</u>	<u>(79,791)</u>	<u>2,550,113</u>
LIABILITIES			
Accounts payable	69,276	10,768	80,044
Due to other governments	244,798	-	244,798
Deferred revenues	<u>95,630</u>	<u>-</u>	<u>95,630</u>
TOTAL LIABILITIES	<u>409,704</u>	<u>10,768</u>	<u>420,472</u>
NET ASSETS			
Invested in capital assets	20,668	7,781	28,449
Restricted	337,158	-	337,158
Unrestricted	<u>1,862,374</u>	<u>(98,340)</u>	<u>1,764,034</u>
TOTAL NET ASSETS	<u>\$ 2,220,200</u>	<u>\$ (90,559)</u>	<u>\$ 2,129,641</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006

EXHIBIT B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contribution	Governmental Activities	Primary Government Business-Type Activities	Total
FUNCTIONS/PROGRAMS						
Primary government						
Governmental activities:						
Instructional services						
Salaries	\$ 1,533,316	\$ 447,242	\$ 921,392	\$ (164,682)	\$ -	\$ (164,682)
Benefits	392,265	88,021	180,236	(124,008)	-	(124,008)
Purchased services	677,281	197,453	412,586	(67,242)	-	(67,242)
Supplies and materials	112,975	32,116	66,874	(13,985)	-	(13,985)
Miscellaneous	74,700	24,979	51,476	1,755	-	1,755
Payments to other governments	1,140,657	390,147	786,871	36,361	-	36,361
Capital expenditures	8,346	9,516	18,661	19,831	-	19,831
Depreciation	4,537	-	-	(4,537)	-	(4,537)
Administrative						
On-behalf payments	245,818	-	-	(245,818)	-	(245,818)
Total governmental activities	4,189,895	1,189,474	2,438,096	(562,325)	-	(562,325)
Business-type activities:						
Professional development	511,259	396,983	-	-	(114,276)	(114,276)
Total business-type activities	511,259	396,983	-	-	(114,276)	(114,276)
Total primary government	\$ 4,701,154	\$ 1,586,457	\$ 2,438,096	(562,325)	(114,276)	(676,601)
General revenues						
Local sources						
Intergovernmental				301,091	-	301,091
Interest income				29,678	-	29,678
State sources						
On-behalf payments				245,818	-	245,818
Total general revenues and transfers						
				800,193	-	800,193
Change in net assets				237,868	(114,276)	123,592
Net assets - beginning				1,982,332	23,717	2,006,049
Net assets - ending				\$ 2,220,200	\$ (90,559)	\$ 2,129,641

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2006

EXHIBIT C

	General	Education Fund	Educational Services Division	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents (overdraft)	\$ 457,135	\$ 1,030,686	\$ (262,374)	\$ 199,204	\$ 225,237	\$ 1,649,888
Investments	-	350,000	-	94,840	23,188	468,028
Accounts receivable	160	-	3,790	-	-	3,950
Due from other funds	121,901	-	-	43,114	-	165,015
Due from other governments	-	587	285,575	-	36,193	322,355
Total assets	579,196	1,381,273	26,991	337,158	284,618	2,609,236
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	3,009	43,937	15,518	-	6,812	69,276
Due to other governments	-	244,798	-	-	-	244,798
Deferred revenues	50,446	45,184	-	-	-	95,630
Total liabilities	53,455	333,919	15,518	-	6,812	409,704
FUND BALANCES						
Restricted	-	-	-	337,158	-	337,158
Unrestricted	525,741	1,047,354	11,473	-	277,806	1,862,374
Total fund balances	525,741	1,047,354	11,473	337,158	277,806	2,199,532
TOTAL LIABILITIES AND FUND BALANCES	\$ 579,196	\$ 1,381,273	\$ 26,991	\$ 337,158	\$ 284,618	\$ 2,609,236

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

EXHIBIT D

Total fund balances - governmental funds	\$ 2,199,532
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	<u>20,668</u>
Net assets of governmental activities	<u><u>\$ 2,220,200</u></u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

	General	Education Fund	Educational Services Division	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
REVENUES						
Federal sources	\$ -	\$ 124,967	\$ 772,238	\$ -	\$ -	\$ 897,205
State sources	223,606	1,393,399	28,000	-	119,492	1,764,497
Local sources						
Intergovernmental	301,091	-	12,409	-	213,353	526,853
Fees for services	-	666,241	10,851	232,759	51,572	961,423
Others	-	-	1,809	480	-	2,289
Interest income	14,586	4,682	-	6,416	3,994	29,678
On-behalf payments	245,818	-	-	-	-	245,818
Total revenues	785,101	2,189,289	825,307	239,655	388,411	4,427,763
EXPENDITURES						
Current:						
Instructional services:						
Salaries	197,656	680,948	397,922	-	256,790	1,533,316
Benefits	130,993	201,463	25,413	-	34,396	392,265
Purchased services	79,192	228,065	227,805	56,340	85,879	677,281
Supplies and materials	16,034	31,311	31,102	1,177	33,351	112,975
Capital expenditures	-	25,860	-	1,192	-	27,052
Miscellaneous	79	61,303	-	949	12,369	74,700
Payments to other governments	-	911,006	139,876	73,825	15,950	1,140,657
On-behalf payments	245,818	-	-	-	-	245,818
Total expenditures	669,772	2,139,956	822,118	133,483	438,735	4,204,064
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	115,329	49,333	3,189	106,172	(50,324)	223,699
FUND BALANCES, BEGINNING OF YEAR	410,412	998,021	8,284	230,986	328,130	1,975,833
FUND BALANCES, END OF YEAR	\$ 525,741	\$ 1,047,354	\$ 11,473	\$ 337,158	\$ 277,806	\$ 2,199,532

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 GOVERNMENTAL FUNDS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006

EXHIBIT F

Net change in fund balances		\$	223,699
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	\$	18,706	
Depreciation expense		<u>(4,537)</u>	<u>14,169</u>
Change in net assets of governmental activities		\$	<u>237,868</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2006

EXHIBIT G

	Business Type Activities - Enterprise Funds			Total
	Education Services Division	PASS (Positive Alternative Student Services)	Fingerprinting Assessment	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 14,115	\$ 8,016	\$ 38,477	\$ 60,608
Accounts receivable	16,835	-	-	16,835
Total current assets	<u>30,950</u>	<u>8,016</u>	<u>38,477</u>	<u>77,443</u>
Noncurrent assets				
Capital assets, net	-	-	7,781	7,781
TOTAL ASSETS	<u>30,950</u>	<u>8,016</u>	<u>46,258</u>	<u>85,224</u>
LIABILITIES				
Accounts payable	10,768	-	-	10,768
Due to other funds	121,901	-	43,114	165,015
TOTAL LIABILITIES	<u>132,669</u>	<u>-</u>	<u>43,114</u>	<u>175,783</u>
NET ASSETS				
Invested in capital assets	-	-	7,781	7,781
Unrestricted	(101,719)	8,016	(4,637)	(98,340)
TOTAL NET ASSETS	<u>\$ (101,719)</u>	<u>\$ 8,016</u>	<u>\$ 3,144</u>	<u>\$ (90,559)</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2006

EXHIBIT H

	Business Type Activities - Enterprise Funds			Total
	Education Services Division	PASS (Positive Alternative Student Services)	Fingerprinting Assessment	
OPERATING REVENUES				
Fees for services	\$ 316,962	\$ -	\$ 80,021	\$ 396,983
OPERATING EXPENSES				
Salaries	217,229	-	-	217,229
Benefits	85,811	-	-	85,811
Purchased services	105,627	-	51,080	156,707
Supplies and materials	34,321	-	623	34,944
Miscellaneous	8,334	-	30	8,364
Capital expenditures	4,834	-	-	4,834
Depreciation	453	984	1,933	3,370
Total operating expenses	456,609	984	53,666	511,259
OPERATING INCOME (LOSS)	(139,647)	(984)	26,355	(114,276)
TOTAL NET ASSETS, BEGINNING OF YEAR	37,928	9,000	(23,211)	23,717
TOTAL NET ASSETS, END OF YEAR	\$ (101,719)	\$ 8,016	\$ 3,144	\$ (90,559)

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2006

EXHIBIT I

	Business Type Activities - Enterprise Funds			Total
	Education Services Division	PASS (Positive Alternative Student Services)	Fingerprinting Assessment	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for workshops and services	\$ 444,407	\$ -	\$ 80,021	\$ 524,428
Payments to suppliers and providers of goods and services	(181,628)	-	(51,733)	(233,361)
Payments to employees	(303,040)	-	-	(303,040)
Net cash provided by (used in) operating activities	(40,261)	-	28,288	(11,973)
NET INCREASE (DECREASE) IN CASH	(40,261)	-	28,288	(11,973)
CASH, BEGINNING OF YEAR	54,376	8,016	10,189	72,581
CASH, END OF YEAR	\$ 14,115	\$ 8,016	\$ 38,477	\$ 60,608
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (139,647)	\$ (984)	\$ 26,355	\$ (114,276)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	453	984	1,933	3,370
Effects of changes in assets and liabilities:				
Accounts receivable	5,544	-	-	5,544
Due to other funds	121,901	-	-	121,901
Accounts payable	(28,512)	-	-	(28,512)
Net cash provided by (used in) operating activities	\$ (40,261)	\$ -	\$ 28,288	\$ (11,973)

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006**

EXHIBIT J

ASSETS

Cash and cash equivalents	<u>\$ 542</u>
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LIABILITIES

Distributive payable	<u>\$ 542</u>
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The notes to the financial statements are an integral part of this statement.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Lake County Regional Office of Education No. 34's accounting policies conform to generally accepted accounting principles, which are appropriate to local governmental units of this type.

A. Reporting Entity

The Lake County Regional Office of Education No. 34 (ROE) is an entity that is a result of an Educational Service Region becoming a Regional Office of Education as of August 7, 1995. The Lake County Regional Office of Education operates under the School Code (105 ILCS 5/3 and 5/3A). Lake County Regional Office of Education No. 34 encompasses Lake County, Illinois. A Regional Superintendent of Schools serves as Chief Administrative Officer of Lake County Regional Office of Education No. 34 and is elected to the position for a four year term pursuant to 105 ILCS 5/3 and 5/3A of the School Code.

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

B. Principles Used to Determine the Scope of the Reporting Entity

The Office of the Regional Superintendent of Schools is elected by popular vote. By Illinois State Statute, occupancy, secretarial, and other costs incurred in maintaining the Office are paid by the counties involved, and the salaries of the Regional Superintendent and the Assistant Regional Superintendent are paid by the State of Illinois. The Regional Superintendent is responsible for the supervision and control of school districts in the Lake County Regional Office of Education No. 34.

The Regional Office of Education has developed criteria to determine whether outside agencies with activities which benefit the citizens of Lake County Regional Office of Education No. 34, including school districts which serve pupils in Lake County Regional Office of Education No. 34, should be included within its financial reporting entity. The criteria include but are not limited to, whether Lake County Regional Office of Education No. 34 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

Blended Component Units

The following component units are entities, which are legally separate from Lake County Regional Office of Education No. 34, but are so intertwined with the Regional Office that they are, in substance, the same as the Regional Office. They are reported as part of Lake County Regional Office of Education No. 34 and blended into the appropriate funds.

On August 8, 1995, Lake County Regional Office of Education No. 34 assumed, pursuant to State law, the authority and responsibilities of Educational Services Center No. 2 (ESC No. 2) of Lake County. The former ESC No. 2 is now the Educational Services Division of ROE No. 34 located in its Grayslake office. The Lake County Regional Office of Education No. 34's Regional Superintendent of Schools is the administrative and fiscal agent for the Educational Services Division.

The Educational Services Division is responsible, under the School Code, for providing a variety of in-service training and staff development opportunities to improve the knowledge and skills of educators, and for serving as the primary regional delivery system for State and federal grant supported programs and services in education.

Lake County Regional Office of Education No. 34 administers the Positive Alternative Services for Students program (PASS) from its Grayslake Office. The Lake County Regional Office of Education No. 34's Regional Superintendent of Schools is the administrative and fiscal agent for Project PASS. PASS, also known as the Lake County Center for Dropout Prevention, was established in 1985 to provide educational services to chronic truants and potential dropouts.

The primary goals of Project PASS are to reduce student truancy and to prevent students from dropping out of school. It provides counseling, tutoring, mentoring, attendance incentives and a variety of enrichment activities that draw on community resources. It also provides teacher technical support services that give emphasis to creative and instructional strategies to make learning more interesting and engaging.

Lake County Regional Office of Education No. 34 administers the Northern Illinois Reading Recovery Consortium from its Grayslake Office. The Lake County Regional Office of Education No. 34's Regional Superintendent of Schools is the administrative and fiscal agent for the Consortium. The Lake County Regional Office of Education No. 34's Assistant Regional Superintendent of Schools is its Site Coordinator.

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Lake County Regional Office of Education No. 34 provides administrative support for the Regional Board of School Trustees from its Grayslake Office. The Lake County Regional Office of Education No. 34's Regional Superintendent of Schools serves as Ex-Officio Secretary of the Board.

The Regional Board of School Trustees consists of seven members from different townships who are elected to six-year terms by the voters of Lake County. The Board has jurisdiction over all matters regarding school boundary changes pursuant to Article 7 of the School Code.

The ROE Alternative Program of Lake County is administered by the Lake County Regional Superintendent per the School Code of Illinois 5/13A-6. This is cited as the Safe Schools Law.

Lake County Regional Office of Education No. 34 is not aware of any entity which would exercise such oversight as to result in it being considered a component unit of the entity.

C. New Accounting Pronouncements

Effective July 1, 2005, the Lake County Regional Office of Education No. 34 adopted the following accounting pronouncements:

- GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.
- GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section, an amendment of NCGA Statement 1*, which amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section.
- GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation (an amendment of GASB Statement No. 34)*, which clarifies the definition of legal enforceability as it relates to net assets restricted by enabling legislation and requires disclosure of the amount of net assets restricted by enabling legislation.
- GASB Statement No. 47, *Accounting for Termination Benefits*, which establishes accounting and financial reporting standards for termination benefits.

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There was no significant impact on the Lake County Regional Office of Education No. 34's financial statements as a result of adopting the above statements.

D. 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 non-fiduciary 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 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.

E. Measurement Focus and Basis of Accounting

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

Governmental fund and fiduciary financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenses are generally recorded when a liability is incurred, as under accrual accounting. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

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There are, however, essentially two types of 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 both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict the guidance of the Governmental Accounting Standards Board.

The proprietary fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

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.

F. Financial Statement Presentation - Fund Accounting

The accounts of the Regional Office of Education 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 assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Regional Office of Education 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 by Lake County Regional Office of Education No. 34:

Governmental Fund Types

Governmental Funds are those through which most governmental functions of Lake County Regional Office of Education No. 34 are financed. The acquisition, use and balances of the expendable financial resources and the related current liabilities are accounted for through governmental funds. The Governmental Funds include the following:

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General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is reported as a major governmental fund in the financial statements. The following are the general funds:

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

Educational Services Division Local Operations - Used to account for monies received for, and payment of, expenditures relating to the operations of the Educational Services Division.

PASS (Positive Alternative Student Services) - Used to account for monies received from interest, donation, and various miscellaneous income. These funds are used to defray staff development, training and professional membership expenses.

Special Revenue Funds - Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Lake County Regional Office of Education No. 34 reported the following special revenue funds as major governmental funds:

Education Fund - This fund accounts for the State and federal grants and contracts administered by the ROE. The education funds are as follows:

ROE/ISC Internal Review - To account for grant monies received for, and payment of, facilitation of the Internal Review of the Quality Review Process with local school districts.

Technology for Schools - To account for the revenues and expenditures used for improving the network system performance and upgrading of the existing aging desktop computers in the Regional Office funded by the Illinois State Board of Education. This program aims to assist districts throughout the Lake County in implementing statewide technology initiatives that support academic performance in the classroom.

Summer Bridges - To account for grant monies received and expended for the Summer Bridges program.

Technology - Enhancing Education - Competitive - To account for grant monies received for, and payment of expenditures of, the Technology - Enhancing Education - Competitive program.

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Administrator's Academy - To account for grant monies received for, and payment of, providing staff development training to administrators' in school improvement.

Title I - Reading First Part B SEA Funds - 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.

ROE/ISC Technology - Formerly known as Building Based Innovation, accounts for grant monies received and expenditures for implementing regional based computer software and providing on-going support of that software.

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.

Truants Alternative/Optional Education - Used to account for monies received from the Illinois State Board of Education to be used in the truant alternative program for Lake County students.

McKinney Education for Homeless Children - Used to account 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.

Juvenile Detention Fund - To account for revenues and expenditures related to the operation of the educational program at the Lake County Juvenile Detention Center.

Educational Services Division - To account for the revenues and expenditures of providing a variety of in-service training and staff development opportunities to improve the knowledge and skills of educators.

Institute - To account 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

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expense of any general or special meeting of teachers or school personnel, which has been approved. All funds generated remain restricted until expended only on the aforementioned activities.

Nonmajor Special Revenue Funds - The ROE reported the following special revenue funds as non-major governmental funds.

General Education Development (GED) - Used to account for the revenue and expenditures associated with the processing of applications for the high school level Test of General Educational Development and the issuance of diplomas upon successful completion of the examination. Statute requires excess funds accumulated for periods exceeding three years to be transferred into the Institute Fund.

Bus Driver Training - Used to account for the revenue received and expenses incurred in conducting initial and refresher training classes for school bus drivers.

Regional Board of School Trustees - This fund accounts for the revenues and expenditures of the Regional Board of Trustees. This Board consists of seven members from different townships who are elected to six-year terms by the voters of Lake County. The Board has jurisdiction over all matters regarding school boundary changes pursuant to Article 7 of the School Code.

Supervisory - Used to account for monies received from the State to pay for the supervision of school districts.

Reading Recovery Installation Fees - This fund is used to account for monies received from Reading Recovery Consortium members and the interest earned on the funds.

Reading Recovery Operations - This fund is used to account for monies received for, and payment of, expenditures in connection with books and materials for the reading recovery teachers and teacher leaders, supplies, travel expenses, meeting expenses, salary and benefits for teacher leaders, and required professional development.

PASS (Positive Alternative Student Services) Foundation Fund - Formerly called Educational Retrieval, accounts for the revenues and expenditures of reducing student truancy and the prevention of students from dropping out of school.

Distributive Interest - Used to account for monies accumulated from interest earned on the general fund's checking account.

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Workforce Development Department Summer Training and Education Program (STEP) - Used to account for funds received from the Lake County Workforce Development Department to pay for expenses associated with Project PASS STEP summer and school year activities.

Learning Technology Center - To account for the revenues and expenditures of establishing a statewide support system for information, professional development, technical assistance, network design, technology planning, leadership, and information exchange.

PASS (Positive Alternative Student Services) - These funds are used to account for the revenues and expenditures of reducing student truancy and the prevention of students from dropping out of school.

Proprietary Fund Types

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

Education Services Division - These funds were set up to account for the fees received and expenditures incurred providing a variety of in service training workshops and conferences.

PASS (Positive Alternative Student Services) - These funds were set up to account for the fees received and expenditures incurred providing workshops and conferences to prevent students from dropping out of school.

Fingerprinting Assessment - This fund was set up to account 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.

Fiduciary Fund Type

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:

Agency - Used to account for funds received from Illinois State Board of Education and disbursed as a result of the Regional Superintendent's responsibility to receive and distribute to treasurers of school districts and other agencies, monies due to them from general State aid, State categorical grants, federal grants, and various other sources.

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G. 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, include 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 expenditures 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.

H. Disposition of Distributive Fund Interest

Illinois State Board of Education funds received by the Regional Office of Education for the Distributive Fund accrue interest for the period of time between the receipt of funds and clearance of checks to recipients. Interest is distributed among Lake County Regional Office of Education No. 34 and the individual school districts based on a written agreement.

I. License and Permits

License and permit revenues are recognized in the year for which the licenses and permits are issued. Teacher certification revenues are recognized over a five year period when applicable.

J. 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 the time of acquisition or fair value at the date of donation. The ROE capitalizes items costing \$5,000 or more. Depreciation is calculated on a straight-line basis over the estimated useful lives (five to seven years) of the respective assets.

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K. Deferred Revenues

The ROE reports unearned and 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.

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

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

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

M. 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.

N. Investments and Cash Accounts

State regulations require that the Lake County Regional Office of Education No. 34 deposit funds under its control into accounts insured by the federal government, secured by substantial collateral or into pooled investment trusts. All funds not needed for immediate disbursements are maintained in interest bearing accounts. Statutes authorize the Lake County Regional Office of Education No. 34 to make deposits or invest in obligation of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Public Treasurer's Investment Pool.

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O. Revenues 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.

P. Budgetary Data

The Lake County Regional Office of Education No. 34 did not formally adopt a budget for the year ended June 30, 2006 and is not legally required to do so. The Illinois State Board of Education and other federal grantors require budgets for certain State and Federal programs. These budgets were used to prepare Budgetary Comparison Schedules for the following programs:

General Fund

- ROE/ISC Operations

Special Revenue Funds

- Education Fund
 - Truants Alternative/Optional Education
 - Regional Safe Schools
 - Technology - Enhancing Education - Competitive
 - Title I - Reading First Part B SEA Funds
- Nonmajor Special Revenue Funds
 - Reading Recovery Operations
 - Learning Technology Center

NOTE 2 - CASH AND INVESTMENTS

Deposits

The Lake County Regional Office of Education No. 34 utilizes several different bank accounts for its various activities. At June 30, 2006, the book balance of such accounts is \$1,711,038, while the bank balance was \$2,222,201. Included in the cash account book balance are the governmental and proprietary funds of \$1,710,496 and fiduciary funds of \$542. The difference between the book and bank balances primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2006.

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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 Lake County Regional Office of Education No. 34 in its name.

Category 2 includes deposits covered by collateral held by the financial institutions in a pledged safekeeping account in the name of Lake County Regional Office of Education No. 34.

Category 3 includes deposits which are uncollateralized or the collateral is held by the financial institution trust department but not in the name of Lake County Regional Office of Education No. 34.

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, 2006:

	Bank Balance
Category 1	\$ 100,000
Category 2	2,122,201
Category 3	-
Exempt	-
	\$ 2,222,201
Total	

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.

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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, 2006, the ROE's investments are certificate of deposits totaling \$468,028.

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, 2006, all the investments have investment maturities of less than one year.

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.

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, 2006, the ROE's investments are certificates of deposits with four 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 Lake County Regional Office of Education No. 34 in its name.

~~Category 2 includes investments collateralized with securities held by the financial institution in the name of Lake County Regional Office of Education No. 34.~~

Category 3 includes uninsured and uncollateralized investments or the collateral is held by the financial institution trust department but not in the name of Lake County Regional Office of Education No. 34.

Although investments classified under the traditional risk categories 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

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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, 2006:

	Carrying Amount	Bank Balance	Category		
			1	2	3
Certificates of deposit	\$ 468,028	\$ 468,028	\$ 468,028	\$ -	\$ -

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2006 is as follows:

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006
GOVERNMENTAL FUNDS				
Equipment	\$ 44,258	\$ 18,706	\$ -	\$ 62,964
Less: accumulated depreciation	37,759	4,537	-	42,296
Capital assets, net	<u>\$ 6,499</u>	<u>\$ 14,169</u>	<u>\$ -</u>	<u>\$ 20,668</u>
PROPRIETARY FUNDS				
Equipment	\$ 20,090	\$ -	\$ -	\$ 20,090
Building Improvement	11,892	-	-	11,892
Total	31,982	-	-	31,982
Less: accumulated depreciation	20,831	3,370	-	24,201
Capital assets, net	<u>\$ 11,151</u>	<u>(\$ 3,370)</u>	<u>\$ -</u>	<u>\$ 7,781</u>

NOTE 4 - RETIREMENT FUND COMMITMENTS

Employees of Lake County Regional Office of Education No. 34 are paid by, and considered employees of, county government. As such, related retirement obligations associated with these employees are the responsibilities of county government.

NOTE 5 - RETIREMENT PLANS

Teachers' Retirement System of the State of Illinois

The Lake County Regional Office of Education participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined

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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, 2006 was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was 0.6 percent during the year ended June 30, 2006, and the member THIS Fund health insurance contribution was 0.80 percent.

The State of Illinois makes contributions directly to TRS on behalf of the Lake County Regional Office of Education No. 34's TRS-covered employees.

- **On-behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of Lake County Regional Office of Education No. 34. For the year ended June 30, 2006, the State of Illinois contributions were based on 7.06 percent of creditable earnings, and Lake County Regional Office of Education No. 34, recognized revenue and expenditures of \$47,301 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2005 and June 30, 2004, the State of Illinois contribution rate as a percentage of creditable earnings were 11.76 percent (\$71,646) and 13.98 percent (\$87,337), respectively.

The Lake County Regional Office of Education No. 34 makes three other types of employer contributions directly to TRS.

- **2.2 Formula Contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the year ended June 30, 2006 were \$3,886. Contributions for the years ended June 30, 2005, and June 30, 2004, were \$3,533 and \$3,623, respectively.
- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and trust funds administered by the Lake County Regional Office of Education No. 34, there is a statutory requirement for the Lake County Regional Office of Education No. 34 to pay an employer pension contribution from those funds. Under a policy adopted by

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the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and trust funds will be the same as the state contribution rate to TRS. For the year ended June 30, 2006, the employer pension contribution was 7.06 percent of salaries paid from federal and trust funds. For the two 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, 2006, salaries totaling \$269,712 were paid from federal and trust funds that required employer contributions of \$19,042. For the years ended June 30, 2005 and June 30, 2004, required Lake County Regional Office of Education No. 34 contributions were \$32,779 and \$13,988, respectively.

- **Early Retirement Option (ERO).** Lake County Regional Office of Education No. 34 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member and under which ERO program the member retires. Under Public Act 94-0004, a "Pipeline ERO" program 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. If members do not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies for the Pipeline ERO). Under the ERO program that expired on June 30, 2005 and the Pipeline ERO, the maximum employer contribution is 100 percent of the member's highest salary used in the final average salary calculation. Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement. For the year ended June 30, 2006, the Lake County Regional Office of Education No. 34 paid \$0 to TRS for employer contributions under the Pipeline ERO and Modified ERO programs. For the years ended June 30, 2005 and June 30, 2004, the Lake County Regional Office of Education No. 34 paid \$0 and \$0, respectively in employer ERO contributions.

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, 2005. The report for the year ended June 30, 2006, is expected to be available in late 2006. 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.

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NOTE 6 - CAPITAL LEASE

Lake County Regional Office of Education No. 34 has entered into lease agreements as lessee for financing the acquisition of computer equipment and copiers. These lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the capital assets account.

The future minimum lease obligations and the net present value of these lease payments as of June 30, 2006, were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2007	\$ 27,338
2008	8,426
2009	8,426
2010	4,213
Total minimum lease payment	<u>48,403</u>
Less: amount representing interest	<u>559</u>
Present value of minimum lease payments	<u>\$ 47,844</u>

NOTE 7 - SALARIES AND PENSION PLAN CONTRIBUTIONS

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

Regional Superintendent - salary	\$ 88,540
Regional Superintendent - benefits (includes State paid insurance)	18,347
Assistant Regional Superintendent - salary	79,686
Assistant Regional Superintendent - benefits (includes State paid insurance)	11,944
TRS Contributions	<u>47,301</u>
Total on-behalf payments	<u>\$ 245,818</u>

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NOTE 8 - DUE FROM (TO) OTHER FUNDS

The following is a summary of amounts due from (to) other funds as of June 30, 2006:

Fund	Due From Other Funds	Due To Other Funds
General Fund - Educational Services Division Local Operations	\$ 121,901	\$ -
Institute Fund	43,114	-
Proprietary Fund - Education Services Division	-	121,901
Proprietary Fund - Fingerprinting Assessment	-	43,114

NOTE 9 - DEFICIT FUND BALANCES

The following Education, Nonmajor Special Revenue Funds and Proprietary Funds have deficit fund balances as of June 30, 2006:

Education Fund:

ROE/ISC Internal Review	\$ 79
Technology for Schools	32
Technology Enhancing Education - Competitive	854
Administrators Academy	28
Title I - Reading First Part B SEA Funds	29,572

Nonmajor Special Revenue Funds:

Workforce Development Department	
Summer Training and Education Program (STEP)	94

Proprietary Funds:

Education Services Division	<u>101,719</u>
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Total Deficit Fund Balances	<u>\$ 132,378</u>
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Above deficit fund balances are expected to correct themselves through receipts from local sources and interest income in the next fiscal year.

NOTE 10 - DUE FROM/TO OTHER GOVERNMENTS

The Lake County Regional Office of Education No. 34's Special Revenue Fund and various grant programs have funds due from/to the following government agencies:

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

DUE FROM OTHER GOVERNMENT	
Illinois State Board of Education	\$ 36,780
Will County ROE - Professional Development Alliance	<u>285,575</u>
Total	<u>\$ 322,355</u>
DUE TO OTHER GOVERNMENT	
Special Education District of Lake County	<u>\$ 244,798</u>

SUPPLEMENTARY INFORMATION

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
GENERAL FUND
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2006

SCHEDULE 1

	ROE/ISC Operations	Educational Services Division Local Operations	PASS (Positive Alternative Student Services)	Total
ASSETS				
Cash and cash equivalents	\$ 3,223	\$ 403,325	\$ 50,587	\$ 457,135
Accounts receivable	-	160	-	160
Due from other funds	-	121,901	-	121,901
	<u>3,223</u>	<u>525,386</u>	<u>50,587</u>	<u>579,196</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	-	3,009	-	3,009
Deferred revenues	-	50,446	-	50,446
Total liabilities	<u>-</u>	<u>53,455</u>	<u>-</u>	<u>53,455</u>
FUND BALANCES				
Fund balances, unrestricted	<u>3,223</u>	<u>471,931</u>	<u>50,587</u>	<u>525,741</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,223</u>	<u>\$ 525,386</u>	<u>\$ 50,587</u>	<u>\$ 579,196</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
GENERAL FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 2

	ROE/ISC Operations	Educational Services Division Local Operations	PASS (Positive Alternative Student Services)	Total
REVENUES				
State sources	\$ 223,606	\$ -	\$ -	\$ 223,606
Local sources				
Intergovernmental	95,388	203,795	1,908	301,091
Interest	30	10,702	3,854	14,586
On-behalf payments	245,818	-	-	245,818
	<u>564,842</u>	<u>214,497</u>	<u>5,762</u>	<u>785,101</u>
EXPENDITURES				
Salaries	152,784	39,099	5,773	197,656
Benefits	109,229	18,969	2,795	130,993
Purchased services	51,385	23,061	4,746	79,192
Supplies and materials	3,186	7,557	5,291	16,034
Miscellaneous	-	79	-	79
On-behalf payments	245,818	-	-	245,818
	<u>562,402</u>	<u>88,765</u>	<u>18,605</u>	<u>669,772</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,440	125,732	(12,843)	115,329
FUND BALANCES, BEGINNING OF YEAR	<u>783</u>	<u>346,199</u>	<u>63,430</u>	<u>410,412</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,223</u>	<u>\$ 471,931</u>	<u>\$ 50,587</u>	<u>\$ 525,741</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
GENERAL FUND ACCOUNTS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 3

	ROE/ISC Operations		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
State sources	\$ 223,606	\$ 223,606	\$ -
Local sources			
Intergovernmental	-	95,388	95,388
Interest	-	30	30
On-behalf payments	-	245,818	245,818
Total revenues	<u>223,606</u>	<u>564,842</u>	<u>341,236</u>
EXPENDITURES			
Salaries	152,784	152,784	-
Benefits	15,446	109,229	(93,783)
Purchased services	52,262	51,385	877
Supplies and materials	3,114	3,186	(72)
On-behalf payments	-	245,818	(245,818)
Total expenditures	<u>223,606</u>	<u>562,402</u>	<u>(338,796)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	2,440	<u>\$ 2,440</u>
FUND BALANCE, BEGINNING OF YEAR		<u>783</u>	
FUND BALANCE, END OF YEAR		<u>\$ 3,223</u>	

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2006

SCHEDULE 4
 (CONTINUED)

ROE/ISC Technology	Regional Safe Schools	Truants Alternative/ Optional Education	McKinney Education for Homeless Children	Juvenile Detention Fund	Total
\$ 118	\$ 819,894	\$ -	\$ 45,184	\$ 157,242	\$ 1,030,686
-	350,000	-	-	-	350,000
-	-	-	-	-	587
118	1,169,894	-	45,184	157,242	1,381,273
ASSETS					
Cash and cash equivalents (overdrafts)					
Investments					
Due from other governments					
Total assets					
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable					
Deferred revenues					
Due to other governments					
Total liabilities					
FUND BALANCES					
Fund balances (deficit), unrestricted					
118	920,460	-	-	157,242	1,047,354
\$ 118	\$ 1,169,894	\$ -	\$ 45,184	\$ 157,242	\$ 1,381,273
TOTAL LIABILITIES AND FUND BALANCES					

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

	ROE/ISC Internal Review	Technology for Schools	Summer Bridges	Technology Enhancing Education - Competitive	Administrator's Academy	Title I - Reading First Part B SEA Funds
REVENUES						
Federal revenue	\$ -	\$ -	\$ -	\$ 18,565	\$ -	\$ 64,386
State revenue	-	-	-	-	-	-
Local sources	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Fees for services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Interest	-	-	-	150	-	241
Total revenues	-	-	-	18,715	-	64,627
EXPENDITURES						
Salaries	-	-	-	-	-	39,457
Benefits	-	-	-	-	-	4,999
Purchased services	-	-	-	3,186	-	39,697
Supplies and materials	-	72	-	4	-	11,754
Miscellaneous	-	-	-	-	-	-
Payment to other governments	-	-	-	18,565	-	551
Capital expenditures	-	-	-	-	-	-
Total expenditures	-	72	-	21,755	-	96,458
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(72)	-	(3,040)	-	(31,831)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	(79)	40	99	2,186	(28)	2,259
FUND BALANCES (DEFICIT), END OF YEAR	(79)	(32)	99	(854)	(28)	(29,572)

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	ROE/ISC Technology	Regional Safe Schools	Truants Alternative/ Optional Education	McKinney Education for Homeless Children	Juvenile Detention Fund	Total
REVENUES						
Federal revenue	\$ -	\$ -	\$ -	\$ 42,016	\$ -	\$ 124,967
State revenue	-	1,251,816	141,583	-	-	1,393,399
Local sources	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Fees for services	-	-	-	-	666,241	666,241
Other	-	-	-	-	-	-
Interest	-	302	-	370	-	4,682
Total revenues	-	1,252,118	141,583	42,386	669,860	2,189,289
EXPENDITURES						
Salaries	-	-	113,120	21,889	506,482	680,948
Benefits	-	-	18,792	6,228	171,444	201,463
Purchased services	-	173,885	8,894	1,409	994	228,065
Supplies and materials	-	4,651	777	12,860	1,193	31,311
Miscellaneous	-	2,903	-	-	58,400	61,303
Payment to other governments	-	891,890	-	-	-	911,006
Capital expenditures	-	25,860	-	-	-	25,860
Total expenditures	-	1,099,189	141,583	42,386	738,513	2,139,956
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	152,929	-	-	(68,653)	49,333
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	118	767,531	-	-	225,895	998,021
FUND BALANCES (DEFICIT), END OF YEAR	\$ 118	\$ 920,460	\$ -	\$ -	\$ 157,242	\$ 1,047,354

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 EDUCATION FUND ACCOUNTS
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2006

	Truants Alternative/Optional Education			Regional Safe Schools*			Technology Enhancing Education - Competitive		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,303	\$ 18,565	\$ (24,738)
State sources	141,583	141,583	-	1,105,397	1,251,816	146,419	-	-	-
Local sources	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	302	302	-	150	150
Total revenues	141,583	141,583	-	1,105,397	1,252,118	146,721	43,303	18,715	(24,588)
EXPENDITURES									
Salaries	112,120	113,120	(1,000)	-	-	-	-	-	-
Benefits	16,518	18,792	(2,274)	-	-	-	-	-	-
Purchased services	11,929	8,894	3,035	165,503	173,885	(8,382)	-	3,186	(3,186)
Supplies and materials	1,016	777	239	-	4,651	(4,651)	-	4	(4)
Miscellaneous	-	-	-	-	2,903	(2,903)	-	-	-
Payments to other governments	-	-	-	939,894	891,890	48,004	43,303	18,565	24,738
Capital expenditures	-	-	-	-	25,860	(25,860)	-	-	-
Total expenditures	141,583	141,583	-	1,105,397	1,099,189	6,208	43,303	21,755	(21,548)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ 152,929	\$ 152,929	\$ -	\$ (3,040)	\$ (3,040)
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-	767,531	-	-	2,186	-
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -	\$ 920,460	\$ (854)	\$ -	\$ -	\$ -	\$ (3,040)

* Includes \$221,122 General State Aid grant for which there is no budgeted expenditure.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
EDUCATION FUND ACCOUNTS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006

	Title I - Reading First Part B SEA Funds				Total	Variance Favorable (Unfavorable)
	Budget	Actual	Variance Favorable (Unfavorable)	Budget		
REVENUES						
Federal sources	\$ 64,386	\$ 64,386	\$ -	\$ 107,689	\$ 82,951	\$ (24,738)
State sources	-	-	-	1,246,980	1,393,399	146,419
Local sources	-	-	-	-	-	-
Interest	-	241	241	-	693	693
Total revenues	64,386	64,627	241	1,354,669	1,477,043	122,374
EXPENDITURES						
Salaries	29,182	39,457	(10,275)	141,302	152,577	(11,275)
Benefits	4,763	4,999	(236)	21,281	23,791	(2,510)
Purchased services	27,439	39,697	(12,258)	204,871	225,662	(20,791)
Supplies and materials	3,002	11,754	(8,752)	4,018	17,186	(13,168)
Miscellaneous	-	-	-	-	2,903	(2,903)
Payments to other governments	-	551	(551)	983,197	911,006	72,191
Capital expenditures	-	-	-	-	25,860	(25,860)
Total expenditures	64,386	96,458	(32,072)	1,354,669	1,358,985	(4,316)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	(31,831)	(31,831)	\$ -	\$ 118,058	\$ 118,058
FUND BALANCES, BEGINNING OF YEAR						
		2,259			771,976	
FUND BALANCES, END OF YEAR	\$ -	(29,572)			\$ 890,034	

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2006

SCHEDULE 7

	General Education Development	Bus Driver Training	Regional Board of School Trustees	Supervisory	Reading Recovery Installation Fees	Reading Recovery Operations
\$	30,114	\$ 17,417	\$ 3,951	\$ 13	\$ 74,618	\$ 20,811
	-	-	-	-	-	-
	-	-	-	-	-	-
Total assets	30,114	17,417	3,951	13	74,618	20,811
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	-	-	-	-	-	-
FUND BALANCES						
Fund balances (deficit), unrestricted	30,114	17,417	3,951	13	74,618	20,811
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,114	\$ 17,417	\$ 3,951	\$ 13	\$ 74,618	\$ 20,811

ASSETS

Cash and cash equivalents
 Investments
 Due from other governments

Total assets

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable

FUND BALANCES

Fund balances (deficit), unrestricted

TOTAL LIABILITIES AND FUND BALANCES

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2006

SCHEDULE 7
 (CONTINUED)

	PASS (Positive Alternative Student Services) Foundation Fund	Distributive Interest	Workforce Development Department Summer Training and Education Program (STEP)	Learning Technology Center	PASS (Positive Alternative Student Services)	Total
ASSETS						
Cash and cash equivalents	\$ 69	\$ 3,453	\$ -	\$ 2,466	\$ 72,325	\$ 225,237
Investments	23,188	-	-	-	-	23,188
Due from other governments	-	-	-	-	36,193	36,193
Total assets	<u>23,257</u>	<u>3,453</u>	<u>-</u>	<u>2,466</u>	<u>108,518</u>	<u>284,618</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	-	-	94	2,466	4,252	6,812
FUND BALANCES						
Fund balances (deficit), unrestricted	23,257	3,453	(94)	-	104,266	277,806
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 23,257</u>	<u>\$ 3,453</u>	<u>\$ -</u>	<u>\$ 2,466</u>	<u>\$ 108,518</u>	<u>\$ 284,618</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 8

	General Education Development	Bus Driver Training	Regional Board of School Trustees	Supervisory	Reading Recovery Installation Fees	Reading Recovery Operations
REVENUES						
State revenue	\$ -	\$ 3,600	\$ -	\$ 1,000	\$ -	\$ 21,900
Local revenue	-	-	-	-	-	-
Intergovernmental Service	38,043	9,373	3,012	-	-	124,125
Interest	449	377	-	2	1,083	-
Total revenues	38,492	13,350	3,012	1,002	1,083	146,536
EXPENDITURES						
Salaries	-	-	-	-	-	81,085
Benefits	-	-	-	-	-	13,644
Purchased services	32,701	14,010	564	1,000	-	29,063
Supplies and materials	2,076	7,159	-	-	-	23,836
Miscellaneous	3,383	55	3,102	-	-	60
Payment to other governments	-	-	-	-	-	15,950
Total expenditures	38,160	21,224	3,666	1,000	-	163,638
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	332	(7,874)	(654)	2	1,083	(17,102)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	29,782	25,291	4,605	11	73,535	37,913
FUND BALANCES (DEFICIT), END OF YEAR	\$ 30,114	\$ 17,417	\$ 3,951	\$ 13	\$ 74,618	\$ 20,811

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 8
 (CONTINUED)

	PASS (Positive Alternative Student Services) Foundation Fund	Distributive Interest	Workforce Development Department Summer Training and Education Program (STEP)	Learning Technology Center	PASS (Positive Alternative Student Services)	Total
REVENUES						
State revenue	\$ -	\$ -	\$ -	\$ 92,992	\$ -	\$ 119,492
Local revenue						
Intergovernmental Service	-	5,037	-	-	84,191	213,353
Interest	-	1,144	-	-	-	51,572
	304	1,268	-	-	-	3,994
Total revenues	304	7,449	-	92,992	84,191	388,411
EXPENDITURES						
Salaries	-	-	-	79,480	96,225	256,790
Benefits	-	-	-	7,714	13,038	34,396
Purchased services	-	980	-	5,798	1,763	85,879
Supplies and materials	-	-	-	-	280	33,351
Miscellaneous	-	5,769	-	-	-	12,369
Payment to other governments	-	-	-	-	-	15,950
Total expenditures	-	6,749	-	92,992	111,306	438,735
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	304	700	-	-	(27,115)	(50,324)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	22,953	2,753	(94)	-	131,381	328,130
FUND BALANCES (DEFICIT), END OF YEAR	\$ 23,257	\$ 3,453	\$ (94)	\$ -	\$ 104,266	\$ 277,806

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	Reading Recovery Operations			Learning Technology Center			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
State sources	\$ 21,900	\$ 21,900	\$ -	\$ 95,458	\$ 92,992	\$ (2,466)	\$ 117,358	\$ 114,892	\$ (2,466)
Local sources									
Intergovernmental	-	124,125	124,125	-	-	-	-	124,125	124,125
Interest	-	511	511	-	-	-	-	511	511
Total revenues	<u>21,900</u>	<u>146,536</u>	<u>124,636</u>	<u>95,458</u>	<u>92,992</u>	<u>(2,466)</u>	<u>117,358</u>	<u>239,528</u>	<u>122,170</u>
EXPENDITURES									
Salaries	9,000	81,085	(72,085)	79,480	79,480	-	88,480	160,565	(72,085)
Benefits	-	13,644	(13,644)	7,714	7,714	-	7,714	21,358	(13,644)
Purchased services	1,000	29,063	(28,063)	8,264	5,798	2,466	9,264	34,861	(25,597)
Supplies and materials	-	23,836	(23,836)	-	-	-	-	23,836	(23,836)
Miscellaneous	-	60	(60)	-	-	-	-	60	(60)
Payments to other governments	11,900	15,950	(4,050)	-	-	-	11,900	15,950	(4,050)
Total expenditures	<u>21,900</u>	<u>163,638</u>	<u>(141,738)</u>	<u>95,458</u>	<u>92,992</u>	<u>2,466</u>	<u>117,358</u>	<u>256,630</u>	<u>(139,272)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>(17,102)</u>	<u>\$ (17,102)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(17,102)</u>	<u>\$ (17,102)</u>
FUND BALANCES, BEGINNING OF YEAR		<u>37,913</u>						<u>37,913</u>	
FUND BALANCES, END OF YEAR		<u>\$ 20,811</u>						<u>\$ 20,811</u>	

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 10

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>
ASSETS				
Cash and cash equivalents	\$ 1,150	\$ 1,847,076	\$ 1,847,684	\$ 542
LIABILITIES				
Distributive payable	\$ 1,150	\$ 1,847,076	\$ 1,847,684	\$ 542

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHERS
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 11

	Regional Superintendent of Schools	Education Service Center	Truancy Alternative Program	Total
General State Aid - Sec. 18-8	\$ 221,122	\$ -	\$ -	\$ 221,122
School Bus Driver Training	3,600	-	-	3,600
Truants Alternative/Optional Education	-	-	141,583	141,583
ROE Safe Schools Program	1,134,597	-	-	1,134,597
K-6 Reading Improvement-R.R.	21,900	-	-	21,900
ROE/ISC Operations	-	223,606	-	223,606
Supervisory	1,000	-	-	1,000
Technology - Learning Technology Center	-	95,458	-	95,458
Title I - Reading First Part B SEA Funds	-	4,818	-	4,818
Total	\$ 1,382,219	\$ 323,882	\$ 141,583	\$ 1,847,684

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 12

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2006 Expenditures
<u>DEPARTMENT OF EDUCATION</u>			
Education Technology State Grants			
Passed-Through Illinois State Board of Education <i>Technology - Enhancing Education - Competitive</i>	84.318X	06-4972-00	\$ 18,565
Reading First State Grants			
Passed-Through Illinois State Board of Education <i>Title I - Reading First Part B SEA Funds</i>	84.357A	06-4337-02	64,386
Education for Homeless Children and Youth			
Passed-Through Kane County Regional Office of Education No. 31 <i>McKinney Education for Homeless Children</i>	84.196A	06-4920-00	42,016
Title I Grants to Local Educational Agencies			
Passed-Through Will County Regional Office of Education No. 56 <i>Title I - School Improvement & Accountability</i>	(M) 84.010A	05-4331-SS	363,378
<i>Title I - School Improvement & Accountability</i>	(M) 84.010A	06-4331-SS	356,694
			<u>720,072</u>
Improving Teacher Quality State Grants			
Passed-Through Will County Regional Office of Education No. 56 <i>Title II - Teacher Quality - Leadership Grant</i>	84.367A	05-4935-SS	22,596
<i>Title II - Teacher Quality - Leadership Grant</i>	84.367A	06-4935-SS	29,570
			<u>52,166</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 897,205</u>

(M) Program was audited as major program

The accompanying notes are an integral part of this schedule.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 1. Reporting Entity Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lake County Regional Office of Education No. 34 and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2. Subrecipients

Not Applicable.

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

The Title I - School Improvement & Accountability accounts for grant monies received for, and payment of, expenditures of the Title I - School Improvement and Accountability Fund. 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 school within the district.

Note 4. Non-Cash Assistance

Not Applicable.

Note 5. Amount of Insurance

Not Applicable.

Note 6. Loans or Loan Guarantees Outstanding

Not Applicable.