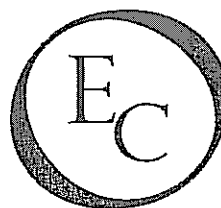


**STATE OF ILLINOIS  
LAKE COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 34**

**FINANCIAL AUDIT  
(In Accordance with the Single Audit Act and OMB Circular A-133)  
FOR THE YEAR ENDED JUNE 30, 2007**

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

TABLE OF CONTENTS

	PAGE
<b>OFFICIALS</b> .....	1
<b>COMPLIANCE REPORT SUMMARY</b> .....	2
<b>FINANCIAL STATEMENT REPORT SUMMARY</b> .....	4
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report.....	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	7
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	9
Schedule of Findings and Questioned Costs.....	11
Financial Statement Findings.....	12
Federal Award Findings.....	16
Corrective Action Plan for Current Year Audit Findings.....	17
Summary Schedule of Prior Audit Findings.....	19
Management's Discussion and Analysis.....	20
<b>EXHIBIT</b>	
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Statement of Net Assets.....	A 26
Statement of Activities.....	B 27

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

**TABLE OF CONTENTS (CONTINUED)**

	<b>EXHIBIT</b>	<b>PAGE</b>
<b>BASIC FINANCIAL STATEMENTS (Continued)</b>		
<b>Fund Financial Statements</b>		
Governmental Funds - Balance Sheet.....	C	28
Governmental Funds - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	D	29
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances.....	E	30
Governmental Funds - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	F	31
Proprietary Funds - Statement of Net Assets.....	G	32
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	H	33
Proprietary Funds - Statement of Cash Flows.....	I	34
Fiduciary Funds - Statement of Fiduciary Net Assets.....	J	35
Notes to Financial Statements.....		36

**SUPPLEMENTARY INFORMATION**

	<b>SCHEDULE</b>	
<b>General Fund Accounts:</b>		
Combining Schedule of Accounts.....	1	56
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	2	57
Budgetary Comparison Schedule.....	3	58
<b>Education Fund Accounts:</b>		
Combining Schedule of Accounts.....	4	59
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	5	61
Budgetary Comparison Schedule.....	6	63
<b>Nonmajor Special Revenue Funds:</b>		
Combining Balance Sheet.....	7	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	8	66
Budgetary Comparison Schedule.....	9	68

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

**TABLE OF CONTENTS (CONTINUED)**

	<b>SCHEDULE</b>	<b>PAGE</b>
Fiduciary Funds:		
Statement of Changes in Assets and Liabilities .....	10	69
Schedule of Disbursements to School District Treasurers and Others .....	11	70
 <b>FEDERAL COMPLIANCE SECTION</b>		
Schedule of Expenditures of Federal Awards .....	12	71
Notes to Schedule of Expenditures of Federal Awards .....		72

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

**OFFICIALS**

Regional Superintendent  
(current and during the audit period)

Dr. Roycealee Wood

Assistant Regional Superintendent  
(July 1, 2007 to present)

Mr. Gary Pickens

Assistant Regional Superintendent  
(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	2	1
Repeated audit findings	-	1
Prior recommendations implemented or not repeated	1	-

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 ( <i>GOVERNMENT AUDITING STANDARDS</i> )			
07-1	12	Failure to Apply Appropriate Accounting Principles	N/A
07-2	14	Unrecorded and Unreconciled Bank Accounts	N/A
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)			
	16	None	N/A
PRIOR FINDINGS NOT REPEATED ( <i>GOVERNMENT AUDITING STANDARDS</i> )			
19		Controls Over Compliance with Laws and Regulations	06-1
PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)			
		None	N/A

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**JUNE 30, 2007**

**EXIT CONFERENCE**

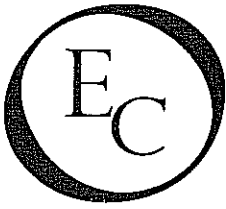
The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on April 17, 2008, held via teleconference. Representing the ROE were Roycealee Wood, Regional Superintendent, Gary Pickens, Assistant Regional Superintendent, Kay Klemens, Accountant, and Mary Marchetti, Accountant. Representing E. C. Ortiz & Co., LLP were Stella B. Santos, Partner, Leilani N. Rodrigo, Partner, and Vivian Sigue, Senior. Responses to the recommendations were provided by Roycealee Wood in a letter dated April 22, 2008.

**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 of Education 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 of Education 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, 2007, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake County Regional Office of Education No. 34, as of June 30, 2007, 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 June 4, 2008 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

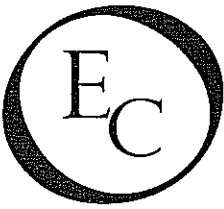
performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 20 through 25 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. Ortig & Co. LLP*

Chicago, Illinois  
June 4, 2008



**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, 2007, which collectively comprise the Lake County Regional Office of Education No. 34's basic financial statements and have issued our report thereon dated June 4, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Lake County Regional Office of Education No. 34's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lake County Regional Office of Education No. 34's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with

generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting, 07-1 and 07-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, we believe that none of the significant deficiencies described is a material weakness.

### **Compliance and Other Matters**

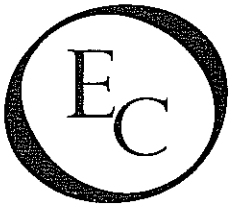
As part of obtaining reasonable assurance about whether the Lake County Regional Office of Education No. 34's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item, 07-1.

The Lake County Regional Office of Education No. 34's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Lake County Regional Office of Education No. 34's responses and, accordingly, we express no opinion on them.

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

*E. C. Ortiz & Co. LLP*

Chicago, Illinois  
June 4, 2008



**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, 2007. The Lake County Regional Office of Education No. 34's major federal programs are identified in the Summary of the Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the 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, 2007.

## 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lake County Regional Office of Education No. 34's internal control over compliance.

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

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

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

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

*E. C. Ortiz & Co. LLP*

Chicago, Illinois  
June 4, 2008

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Part I: Summary of the Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

**Federal Awards**

Internal control over major programs:

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

Type of 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   ✓   No

**Identification of major programs:**

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

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

Auditee qualified as low-risk auditee?   ✓   Yes        No

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

**FINDING NO. 07-1 - Failure to Apply Appropriate Accounting Principles**

*Criteria/Specific Requirements:*

Generally accepted accounting principles require that a lease be capitalized if any one of following four criteria is a characteristic of the lease transaction: 1) the lease transfers ownership of the property to the lessee by the end of the lease term, 2) the lease contains bargain purchase options, 3) the lease term is equal to 75% or more of the estimated economic life of the leased property, or 4) the present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90% of the fair value of the leased property. Capital leases are treated as an acquisition of assets and the incurrence of obligations by the lessee.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* defines Reciprocal Interfund Activities as interfund activities that have many of the same characteristics of exchange and exchange-like transactions that occur with external parties. Loans should be reported as interfund receivables by the lender fund and interfund payables by the borrower fund. A fund may also incur Interfund Reimbursements, an expenditure or expense that will subsequently be reimbursed by another fund. Reimbursements should not be reported in the governmental entity's financial statements as revenues and expenses in order to avoid "double counting" of revenues and expenses/expenditure items.

*Conditions:*

Lake County Regional Office of Education No. 34 (ROE No. 34) did not properly record several transactions and, as a result, did not properly apply the appropriate generally accepted accounting principles (GAAP).

- For fiscal year 2007, payments on leases of certain equipment that have bargain purchase options and a lease term equal to the estimated economic life of the leased property, were treated as operating leases and recorded as purchased services (\$21,688) and capital expenditures (\$8,426). These leases meet the criteria for capital leases. As of June 30, 2007, the net book value of the leased equipment and the present value of the related leases payable were \$89,352 and \$95,793, respectively.
- Interfund receipts and disbursements pertaining to reimbursements of TRS and THIS employee' contributions (\$144,366) and purchases of supplies and materials, services and capital outlay (\$11,502) were recorded as revenues and expenses instead of receivables/payables.



**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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

**FINDING NO. 07-1 - Failure to Apply Appropriate Accounting Principles (Continued)**

*Conditions (Continued):*

Upon the auditors' notification, the ROE No. 34 subsequently revised the financial statements to include the adjustments necessary to apply the appropriate generally accepted accounting principles.

*Effect:*

Failure to apply the applicable generally accepted accounting principles may result in inaccurate and incomplete financial statements.

*Cause:*

The ROE No. 34 generally does not keep the equipment items through the end of the lease term and considered the recording of the lease transactions as operating expenses proper. For the reimbursements of TRS and THIS employee' contributions and purchases of supplies and materials, services and capital outlay, the ROE No. 34 maintains a separate fund to account for the receipts which are recorded as revenues and disbursements which are recorded as expenses.

*Recommendation:*

We recommend the ROE No. 34 establish procedures to ensure that transactions are properly accounted for and reported in accordance with generally accepted accounting principles. If necessary, accounting and reporting guidance should be obtained from technical resources to be in conformity with GAAP.

*Management's Response:*

The ROE No. 34 agrees with the recommendation and will establish procedures to ensure that transactions are properly accounted for. The ROE No. 34's accountant and bookkeeper will make entries in the accounting system to address the lease transactions. In addition, the staff will make eliminating entries to address the TRS contribution concerns.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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

**FINDING NO. 07-2 - Unrecorded and Unreconciled Bank Accounts**

*Criteria/Specific Requirements:*

Sound internal control requires complete and accurate accounting records of all transactions of the entity. Sound internal control also requires bank reconciliations to be performed monthly to ensure that all transactions have been recorded. The bank reconciliation process should include identifying and correcting all discrepancies between the bank records and the books on a timely basis.

*Condition:*

During our testing of cash and bank reconciliations, we noted two bank accounts not recorded in the general ledger and, consequently, without bank reconciliation statements. The first bank account, with an ending balance of \$979 as of June 30, 2007, serves as a pass through account for monies received from Illinois State Board of Education for distribution to other entities. The second bank account, with an ending balance of \$14,259 as of June 30, 2007, represents Institute Fund monies collected from e-payments from on-line teachers' registration. These accounts were opened in prior years and have been included in cash balances reported in the audited financial statements through adjusting journal entries.

*Effect:*

Failure to record bank accounts in the general ledger and preparation of bank reconciliations results in inaccurate and incomplete financial reporting and increases the risk of unauthorized transactions not being detected timely or not being detected at all, which could result in misappropriation of assets.

*Cause:*

The bank accounts were established to serve as clearing bank accounts until funds are transferred to the respective ROE Distributive Fund and Office accounts. The ROE did not deem it necessary to perform monthly bank reconciliations and maintain the accounts in the general ledger since deposits are transferred to the respective fund bank accounts on a regular basis. The balances at any given time are timing differences as a result of transfers pending receipt of transaction and e-payment details.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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

**FINDING NO. 07-2 - Unrecorded and Unreconciled Bank Accounts (Continued)**

*Recommendation:*

The Lake County Regional Office of Education No. 34 should immediately record these bank accounts in the General Ledger and properly account for all transactions of these accounts in the books. Bank reconciliations should be performed on all bank accounts on a regular basis and differences identified should be investigated promptly.

*Management's Response:*

The ROE No. 34 agrees with the recommendation that bank accounts should be recorded immediately in the general ledger and all transactions properly accounted for. The bank accounts will be entered in the general ledger and will be reconciled by the ROE staff on a timely basis.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**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, 2007**

**FINDING NO. 07-1 - Failure to Apply Appropriate Accounting Principles**

*Conditions:*

Lake County Regional Office of Education No. 34 (ROE No. 34) did not properly record several transactions and, as a result, did not properly apply the appropriate generally accepted accounting principles (GAAP).

- For fiscal year 2007, payments on leases of certain equipment that have bargain purchase options and a lease term equal to the estimated economic life of the leased property, were treated as operating leases and recorded as purchased services (\$21,688) and capital expenditures (\$8,426). These leases meet the criteria for capital leases. As of June 30, 2007, the net book value of the leased equipment and the present value of the related leases payable were \$89,352 and \$95,793, respectively.
- Interfund receipts and disbursements pertaining to reimbursements of TRS and THIS employee' contributions (\$144,366) and purchases of supplies and materials, services and capital outlay (\$11,502) were recorded as revenues and expenses instead of receivables/payables.

Upon the auditors' notification, the ROE No. 34 subsequently revised the financial statements to include the adjustments necessary to apply the appropriate generally accepted accounting principles.

*Plans:*

The ROE No. 34's accountant and bookkeeper will make entries in the accounting system to address the lease transactions. In addition, the staff will make eliminating entries to address the TRS contribution concerns.

*Anticipated Date of Completion:*

Immediately

*Name of Contact Person:*

Roycealee Wood, Regional Superintendent

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2007**

**FINDING NO. 07-2 - Unrecorded and Unreconciled Bank Accounts**

*Condition:*

During our testing of cash and bank reconciliations, we noted two bank accounts not recorded in the general ledger and, consequently, without bank reconciliation statements. The first bank account, with an ending balance of \$979 as of June 30, 2007, serves as a pass through account for monies received from Illinois State Board of Education for distribution to other entities. The second bank account, with an ending balance of \$14,259 as of June 30, 2007, represents Institute Fund monies collected from e-payments from on-line teachers' registration. These accounts were opened in prior years and have been included in cash balances reported in the audited financial statements through adjusting journal entries.

*Plans:*

The ROE No. 34 agrees with the recommendation that bank accounts should be recorded immediately in the general ledger and all transactions properly accounted for. The bank accounts will be entered in the general ledger and will be reconciled by the ROE staff on a timely basis.

*Anticipated Date of Completion:*

Immediately

*Name of Contact Person:*

Roycealee Wood, Regional Superintendent

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2007**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
06-1	Controls Over Compliance with Laws and Regulations	
	A. Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.11.	Resolved
	B. The Regional Superintendent did not present to the county board meetings a report of all her acts and the list of all schools visited with the dates of visitation in compliance with the Illinois School Code 105 ILCS 5/3-5.	Resolved
	C. Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.5.	Resolved

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2007**

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, 2007 with comparative information for the year ended June 30, 2006. Readers are encouraged to consider the information in conjunction with the ROE No. 34's basic financial statements.

**2007 Financial Highlights**

- Within the Governmental Funds, the General Fund revenues decreased by \$31,310 (4%) from \$785,101 in FY 2006 to \$753,791 in fiscal year 2007. General Fund expenditures increased by \$104,953 (16%) from \$669,772 in FY 2006 to \$774,725 in FY 2007.
- Within the Governmental Funds, the Special Revenue Fund revenues increased by \$867,795 (24%) from \$3,642,662 in FY 2006 to \$4,510,457 in FY 2007. The Special Revenue Fund expenditures increased by \$859,864 (24%) from \$3,534,292 in FY 2006 to \$4,394,156 in FY 2007.
- The Proprietary Fund revenues decreased by \$35,011 (9%) from \$396,983 in FY 2006 to \$361,972 in FY 2007. The Proprietary Fund expenditures increased by \$39,254 (8%) from \$511,259 in FY 2006 to \$550,513 in FY 2007.

**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, 2007**

**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 Alternative 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, 2007**

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 2007 and FY 2006 totaled \$2,121,210 and \$2,129,641, 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>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>						
Current assets	\$ 3,411,316	\$ 2,609,236	\$ (221,471)	\$ (87,572)	\$ 3,189,845	\$ 2,521,664
Capital assets, net of depreciation	105,411	20,668	5,205	7,781	110,616	28,449
<b>TOTAL ASSETS</b>	<u>3,516,727</u>	<u>2,629,904</u>	<u>(216,266)</u>	<u>(79,791)</u>	<u>3,300,461</u>	<u>2,550,113</u>
<b>LIABILITIES</b>						
Current liabilities	1,093,363	409,704	19,350	10,768	1,112,713	420,472
Noncurrent liabilities	66,538	-	-	-	66,538	-
<b>TOTAL LIABILITIES</b>	<u>1,159,901</u>	<u>409,704</u>	<u>19,350</u>	<u>10,768</u>	<u>1,179,251</u>	<u>420,472</u>
<b>NET ASSETS</b>						
Invested in capital assets net of related debt	9,618	20,668	5,205	7,781	14,823	28,449
Restricted for teacher professional development	251,448	337,158	-	-	251,448	337,158
Unrestricted	2,095,760	1,862,374	(240,821)	(98,340)	1,854,939	1,764,034
<b>TOTAL NET ASSETS</b>	<u>\$ 2,356,826</u>	<u>\$ 2,220,200</u>	<u>\$ (235,616)</u>	<u>\$ (90,559)</u>	<u>\$ 2,121,210</u>	<u>\$ 2,129,641</u>

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

The ROE No. 34's net assets decreased by \$8,431 (less than 1%) from FY 2006. The decrease occurred primarily in the Institute Funds and Business-Type Education Services Division. 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, 2006 and 2007.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,214,876	\$ 1,189,474	\$ 361,284	\$ 396,983	\$ 1,576,160	\$ 1,586,457
Operating grants and contributions	3,215,119	2,438,096	-	-	3,215,119	2,438,096
General revenues:						
State and local sources	462,924	524,697	-	-	462,924	524,697
Interest income	92,002	29,678	688	-	92,690	29,678
On-behalf payments	279,327	245,818	-	-	279,327	245,818
Total revenues	<u>5,264,248</u>	<u>4,427,763</u>	<u>361,972</u>	<u>396,983</u>	<u>5,626,220</u>	<u>4,824,746</u>
Expenses:						
Salaries	1,981,566	1,533,316	203,321	217,229	2,184,887	1,750,545
Benefits	365,804	392,265	97,274	85,811	463,078	478,076
Purchased services	1,564,798	677,281	197,193	156,707	1,761,991	833,988
Supplies and materials	105,201	112,975	34,393	34,944	139,594	147,919
Capital expenditures	41,340	8,346	377	4,834	41,717	13,180
Depreciation	56,871	4,537	2,576	3,370	59,447	7,907
Payments to other governmental units	651,288	1,140,657	-	-	651,288	1,140,657
Miscellaneous	37,943	74,700	15,379	8,364	53,322	83,064
On-behalf payments	279,327	245,818	-	-	279,327	245,818
Total expenses	<u>5,084,138</u>	<u>4,189,895</u>	<u>550,513</u>	<u>511,259</u>	<u>5,634,651</u>	<u>4,701,154</u>
Income (loss) before other financing sources (uses)	180,110	237,868	(188,541)	(114,276)	(8,431)	123,592
Other financing sources (uses):						
Transfer in (out)	(43,484)	-	43,484	-	-	-
Change in net assets	136,626	237,868	(145,057)	(114,276)	(8,431)	123,592
Net assets, beginning	<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>
Net assets, ending	<u>\$ 2,356,826</u>	<u>\$ 2,220,200</u>	<u>\$ (235,616)</u>	<u>\$ (90,559)</u>	<u>\$ 2,121,210</u>	<u>\$ 2,129,641</u>

**Governmental Activities**

In FY 2007, revenues and expenses for governmental fund activities increased by \$836,485 and \$990,036, respectively. Education Fund revenues increased by \$971,454 due to higher

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

Regional Safe School revenues in FY 2007 that includes an increase in GSA grant, higher recognized revenue from ISBE and increase in local and interest revenues. Also, the McKinney Education for Homeless Children grant revenues increased by about \$103,969. Institute Fund revenues decreased by about \$186,644 due mainly to deferral of revenue representing registration fees for years 2008 and onwards. Program expenditures were proportionally decreased to meet the funding level.

**Business-Type Activities**

In FY 2007, revenues and expenditures for business-type activities decreased by \$35,011 and increased by \$39,254, respectively. The decrease in revenues is due mainly to lower number of enrollees and workshops conducted. The increase in expenses is due mainly to increase in purchased services due to having to pay the presenters of the workshops with fewer registration fees received from enrollees.

**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 \$2,347,208.

**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 \$145,057 (160%). This is attributed to the low revenue and increase in purchased services related to Language/Arts workshops, Technology Services, Administrators Academy Workshops and Gifted Workshops.

**Fiduciary Fund Highlights**

There was no significant movement in fiduciary funds for FY 2007. Transactions during FY 2007 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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

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 accumulated over time. For FY 2007, additions amounted to \$141,614 and retirements amounted to \$0. The depreciation expense for FY 2007 was \$56,871.

**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 2008.

**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, 2007

EXHIBIT A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents (overdrafts)	\$ 2,149,699	\$ (229,738)	\$ 1,919,961
Investments	473,937	-	473,937
Accounts receivable	39,077	8,267	47,344
Due from other governments	748,603	-	748,603
Total current assets	<u>3,411,316</u>	<u>(221,471)</u>	<u>3,189,845</u>
<b>Noncurrent assets</b>			
Capital assets, net	105,411	5,205	110,616
<b>TOTAL ASSETS</b>	<u>3,516,727</u>	<u>(216,266)</u>	<u>3,300,461</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	37,395	2,211	39,606
Due to other funds	43,287	(43,287)	-
Due to other governments	753,847	60,426	814,273
Deferred revenues	229,579	-	229,579
Leases payable	29,255	-	29,255
Total current liabilities	<u>1,093,363</u>	<u>19,350</u>	<u>1,112,713</u>
<b>Noncurrent liabilities</b>			
Leases payable	66,538	-	66,538
<b>TOTAL LIABILITIES</b>	<u>1,159,901</u>	<u>19,350</u>	<u>1,179,251</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	9,618	5,205	14,823
Restricted for teacher professional development	251,448	-	251,448
Unrestricted	2,095,760	(240,821)	1,854,939
<b>TOTAL NET ASSETS</b>	<u>\$ 2,356,826</u>	<u>\$ (235,616)</u>	<u>\$ 2,121,210</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, 2007

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
<b>FUNCTIONS/PROGRAMS</b>						
<b>Primary government</b>						
<b>Governmental activities:</b>						
<b>Instructional services</b>						
Salaries	\$ 1,981,566	\$ 471,386	\$ 1,247,503	\$ (262,677)	\$ -	\$ (262,677)
Benefits	365,804	90,253	238,850	(36,701)	-	(36,701)
Purchased services	1,564,798	419,638	1,110,554	(34,606)	-	(34,606)
Supplies and materials	105,201	26,620	70,448	(8,133)	-	(8,133)
Miscellaneous	37,943	10,456	27,671	184	-	184
Payments to other governments	651,288	180,065	476,535	5,312	-	5,312
Capital expenditures	41,340	16,458	43,558	18,676	-	18,676
Depreciation	56,871	-	-	(56,871)	-	(56,871)
<b>Administrative</b>						
On-behalf payments	279,327	-	-	(279,327)	-	(279,327)
<b>Total governmental activities</b>	<u>5,084,138</u>	<u>1,214,876</u>	<u>3,215,119</u>	<u>(654,143)</u>	<u>-</u>	<u>(654,143)</u>
<b>Business-type activities:</b>						
Professional development	550,513	361,284	-	-	(189,229)	(189,229)
<b>Total business-type activities</b>	<u>550,513</u>	<u>361,284</u>	<u>-</u>	<u>-</u>	<u>(189,229)</u>	<u>(189,229)</u>
<b>Total primary government</b>	<u>\$ 5,634,651</u>	<u>\$ 1,576,160</u>	<u>\$ 3,215,119</u>	<u>(654,143)</u>	<u>(189,229)</u>	<u>(843,372)</u>
<b>General revenues</b>						
<b>Local sources</b>						
Intergovernmental				187,583	-	187,583
Fees for services				7,351	-	7,351
Interest income				92,002	688	92,690
State sources				267,990	-	267,990
On-behalf payments				279,327	-	279,327
<b>Other financing sources (uses)</b>						
Transfers in (out)				(43,484)	43,484	-
<b>Total general revenues and other financing sources (uses)</b>				<u>790,769</u>	<u>44,172</u>	<u>834,941</u>
<b>Change in net assets</b>				136,626	(145,057)	(8,431)
<b>Net assets - beginning</b>				<u>2,220,200</u>	<u>(90,559)</u>	<u>2,129,641</u>
<b>Net assets - ending</b>				<u>\$ 2,356,826</u>	<u>\$ (235,616)</u>	<u>\$ 2,121,210</u>

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, 2007

EXHIBIT C

	General	Education Fund	Educational Services Division	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents (overdrafts)	\$ 653,452	\$ 1,178,857	\$ (204,787)	\$ 267,421	\$ 254,756	\$ 2,149,699
Investments	-	350,000	-	99,647	24,290	473,937
Accounts receivable	7,988	15,062	320	14,925	782	39,077
Due from other funds	3,153	-	-	-	-	3,153
Due from other governments	2,624	363,022	350,492	-	32,465	748,603
Total assets	667,217	1,906,941	146,025	381,993	312,293	3,414,469
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	7,644	790	22,618	149	6,194	37,395
Due to other governments	20,187	604,658	101,554	216	27,232	753,847
Due to other funds	43,584	-	2,856	-	-	46,440
Deferred revenues	54,306	45,093	-	130,180	-	229,579
Total liabilities	125,721	650,541	127,028	130,545	33,426	1,067,261
<b>FUND BALANCES</b>						
Unreserved, reported in:						
General fund	541,496	-	-	-	-	541,496
Special revenue funds	-	1,256,400	18,997	251,448	278,867	1,805,712
Total fund balances	541,496	1,256,400	18,997	251,448	278,867	2,347,208
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ 667,217	\$ 1,906,941	\$ 146,025	\$ 381,993	\$ 312,293	\$ 3,414,469

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, 2007

EXHIBIT D

Total fund balances - governmental funds		\$	2,347,208
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	\$	105,411	
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		<u>(95,793)</u>	<u>9,618</u>
Net assets of governmental activities		\$	<u>2,356,826</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, 2007

EXHIBIT E

	General	Education Fund	Educational Services Division	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
<b>REVENUES</b>						
Federal sources	\$ -	\$ 169,540	\$ 808,324	\$ -	\$ -	\$ 977,864
State sources	267,990	2,048,947	28,900	-	159,408	2,505,245
Local sources						
Intergovernmental	187,583	-	-	-	-	187,583
Fees for services	7,351	895,596	46,885	41,362	231,033	1,222,227
Interest income	11,540	46,660	-	11,649	22,153	92,002
On-behalf payments	279,327	-	-	-	-	279,327
Total revenues	753,791	3,160,743	884,109	53,011	412,594	5,264,248
<b>EXPENDITURES</b>						
Current:						
Instructional services:						
Salaries	276,583	923,539	600,180	-	181,264	1,981,566
Benefits	39,364	234,506	68,262	-	23,672	365,804
Purchased services	46,986	1,209,706	132,893	14,320	160,893	1,564,798
Supplies and materials	8,919	37,739	30,573	1,856	26,114	105,201
Capital expenditures	123,421	57,677	854	1,002	-	182,954
Miscellaneous	125	21,539	-	1,739	14,540	37,943
Payments to other governments	-	482,611	43,823	119,804	5,050	651,288
On-behalf payments	279,327	-	-	-	-	279,327
Total expenditures	774,725	2,967,317	876,585	138,721	411,533	5,168,881
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(20,934)	193,426	7,524	(85,710)	1,061	95,367
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds of capital lease obligations	80,173	15,620	-	-	-	95,793
Transfers out	(43,484)	-	-	-	-	(43,484)
Total other financing sources (uses)	36,689	15,620	-	-	-	52,309
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES</b>	15,755	209,046	7,524	(85,710)	1,061	147,676
<b>FUND BALANCES, BEGINNING OF YEAR</b>	525,741	1,047,354	11,473	337,158	277,806	2,199,532
<b>FUND BALANCES, END OF YEAR</b>	\$ 541,496	\$ 1,256,400	\$ 18,997	\$ 251,448	\$ 278,867	\$ 2,347,208

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, 2007**

**EXHIBIT F**

Net change in fund balances \$ 147,676

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

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

Capital expenditures	\$ 141,614	
Depreciation expense	<u>(56,871)</u>	84,743

Some of the capital assets acquired this year were financed with capital leases.  
The amount financed by the leases is reported in the governmental funds as a  
source of financing. On the other hand, the capital leases are not revenues in  
the Statement of Activities, but rather constitute long-term liabilities in the  
Statement of Net Assets.

(95,793)

Change in net assets of governmental activities \$ 136,626

*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, 2007**

**EXHIBIT G**

	<b>Business Type Activities - Enterprise Funds</b>			
	<b>Education Services Division</b>	<b>PASS (Positive Alternative Student Services)</b>	<b>Fingerprinting Assessment</b>	<b>Total</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents (overdrafts)	\$ (268,779)	\$ 8,016	\$ 31,025	\$ (229,738)
Accounts receivable	4,590	-	3,677	8,267
Due from other funds	43,484	-	-	43,484
Total current assets	<u>(220,705)</u>	<u>8,016</u>	<u>34,702</u>	<u>(177,987)</u>
<b>Noncurrent assets</b>				
Capital assets, net	-	-	5,205	5,205
<b>TOTAL ASSETS</b>	<u>(220,705)</u>	<u>8,016</u>	<u>39,907</u>	<u>(172,782)</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	2,211	-	-	2,211
Due to other governments	60,426	-	-	60,426
Due to other funds	197	-	-	197
<b>TOTAL LIABILITIES</b>	<u>62,834</u>	<u>-</u>	<u>-</u>	<u>62,834</u>
<b>NET ASSETS</b>				
Invested in capital assets	-	-	5,205	5,205
Unrestricted	<u>(283,539)</u>	<u>8,016</u>	<u>34,702</u>	<u>(240,821)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ (283,539)</u>	<u>\$ 8,016</u>	<u>\$ 39,907</u>	<u>\$ (235,616)</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, 2007**

**EXHIBIT H**

	<u>Business Type Activities - Enterprise Funds</u>			<u>Total</u>
	<u>Education Services Division</u>	<u>PASS (Positive Alternative Student Services)</u>	<u>Fingerprinting Assessment</u>	
<b>OPERATING REVENUES</b>				
Fees for services	\$ 258,801	\$ -	\$ 102,483	\$ 361,284
<b>OPERATING EXPENSES</b>				
Salaries	203,321	-	-	203,321
Benefits	97,274	-	-	97,274
Purchased services	134,070	-	63,123	197,193
Supplies and materials	33,705	-	688	34,393
Miscellaneous	15,358	-	21	15,379
Capital expenditures	377	-	-	377
Depreciation	-	-	2,576	2,576
Total operating expenses	484,105	-	66,408	550,513
<b>OPERATING INCOME (LOSS)</b>	(225,304)	-	36,075	(189,229)
<b>NONOPERATING REVENUES</b>				
Interest income	-	-	688	688
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	(225,304)	-	36,763	(188,541)
<b>OPERATING TRANSFERS</b>				
Transfers in	43,484	-	-	43,484
<b>CHANGE IN NET ASSETS</b>	(181,820)	-	36,763	(145,057)
<b>NET ASSETS, BEGINNING OF YEAR</b>	(101,719)	8,016	3,144	(90,559)
<b>NET ASSETS, END OF YEAR</b>	\$ (283,539)	\$ 8,016	\$ 39,907	\$ (235,616)

*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, 2007

EXHIBIT I

	<u>Business Type Activities - Enterprise Funds</u>			
	<u>Education Services Division</u>	<u>PASS (Positive Alternative Student Services)</u>	<u>Fingerprinting Assessment</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts for workshops and services	\$ 271,046	\$ -	\$ 98,806	\$ 369,852
Payments to suppliers and providers of goods and services	(253,345)	-	(106,946)	(360,291)
Payments to employees	(300,595)	-	-	(300,595)
Net cash used in operating activities	<u>(282,894)</u>	<u>-</u>	<u>(8,140)</u>	<u>(291,034)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY:</b>				
Interest	-	-	688	688
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(282,894)</u>	<u>-</u>	<u>(7,452)</u>	<u>(290,346)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>14,115</u>	<u>8,016</u>	<u>38,477</u>	<u>60,608</u>
<b>CASH AND CASH EQUIVALENTS (OVERDRAFTS), END OF YEAR</b>	<u>\$ (268,779)</u>	<u>\$ 8,016</u>	<u>\$ 31,025</u>	<u>\$ (229,738)</u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>				
Operating income (loss)	\$ (225,304)	\$ -	\$ 36,075	\$ (189,229)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:				
Depreciation expense	-	-	2,576	2,576
Effects of changes in assets and liabilities:				
Accounts receivable	12,245	-	(3,677)	8,568
Due to other government	60,426	-	-	60,426
Accounts payable	(8,557)	-	-	(8,557)
Due to other funds	(121,704)	-	(43,114)	(164,818)
Net cash used in operating activities	<u>\$ (282,894)</u>	<u>\$ -</u>	<u>\$ (8,140)</u>	<u>\$ (291,034)</u>

*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, 2007**

**EXHIBIT J**

**ASSETS**

Cash and cash equivalents	<u>\$ 2,071</u>
---------------------------	-----------------

**LIABILITIES**

Distributive payable	<u>\$ 2,071</u>
----------------------	-----------------

*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, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

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.

The financial statements of the Lake County Regional Office of Education No. 34 have been prepared in conformity with the Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The following is a summary of the significant accounting policies:

B. Criteria Used to Determine the Scope of 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,

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

selection of governing authority, designation of management, ability to significantly 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.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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 Pronouncement**

Effective July 1, 2006, the Lake County Regional Office of Education No. 34 adopted GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans and supersedes the interim guidance included in Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*.

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 statement.

**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.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

The Statement of Net Assets presents the Lake County Regional Office of Education No. 34's nonfiduciary assets and liabilities with the differences reported as net assets. Net assets of the ROE are classified as follows:

*Invested in Capital Assets, Net of Related Debt* - consists of ROE's capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing used to finance the purchase of those assets.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to 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, Basis of Accounting, and Financial Statement Presentation**

The financial statements of the Lake County Regional Office of Education No. 34 are prepared in accordance with generally accepted accounting principles (GAAP). The Lake County Regional Office of Education No. 34 applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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. The Lake County Regional Office of Education No. 34 considers revenues as available if they are collected within 60 days after year-end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

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

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

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

The Lake County Regional Office of Education No. 34 records on-behalf payments made by the State to the Teachers' Retirement System as revenues and expenditures.

**F. Fund Accounting**

The accounts of the Lake County Regional Office of Education No. 34 are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. The Lake County Regional Office of Education No. 34 maintains individual funds as required by the State of Illinois. The resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following summarizes the fund types used:

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Governmental Fund Types

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

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.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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.

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.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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 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



**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

expenses, salary and benefits for teacher leaders, and required professional development.

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

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.

Pre-School Monitoring - These funds are used to reimburse personnel who evaluate pre-schools that receive funds from the universal pre-school program initiated in 2006 by the Governor's office.

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.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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.

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.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

J. Capital Assets

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

Capital assets are recorded at cost at 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.

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. Management Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. 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.

N. 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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

year project. Amounts due to the State or carried over to the following year project are recorded as liabilities.

O. Budgetary Data

The Lake County Regional Office of Education No. 34 did not formally adopt a budget for the year ended June 30, 2007 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
- 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, 2007, the book balance of such accounts is \$1,922,032, while the bank balance was \$2,004,092. Included in the cash account book balance are the governmental and proprietary funds of \$1,919,961 and fiduciary funds of \$2,071. 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, 2007.

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.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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, 2007:

	<u>Bank Balance</u>
Category 1	\$ 100,000
Category 2	1,888,854
Category 3	-
Exempt	15,238
Total	<u>\$ 2,004,092</u>

The exempt funds are those deposited into the Illinois Funds.

Investments

The ROE's established investment policy follows the State of Illinois Public Funds Investment Act which authorizes the ROE to purchase certain obligations of the U.S. Treasury, federal agencies and instrumentalities; certificates of deposit and time deposits covered by Federal depository insurance; commercial paper of U.S. corporations with assets exceeding \$500,000,000, if such paper is rated at the highest classification established by at least two standard rating services; money market funds and the Illinois Funds.

The ROE has pooled its investments. Investments are stated at fair value. Net income from investments of pooled funds is allocated and credited to the original sources of the funds. As of June 30, 2007, the ROE's investments are certificate of deposits totaling \$473,937.

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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, 2007, 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, 2007, 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 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, 2007:

	Carrying Amount	Bank Balance	Category		
			1	2	3
Certificates of deposit	\$473,937	\$ 473,937	\$ 199,647	\$274,290	\$ —

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 3 - CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2007 is as follows:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
<b>GOVERNMENTAL FUNDS</b>				
Equipment	\$ 62,964	\$ 141,614	\$ --	\$ 204,578
Less: accumulated depreciation	(42,296)	(56,871)	--	(99,167)
Capital assets, net	<u>\$ 20,668</u>	<u>\$ 84,743</u>	<u>\$ --</u>	<u>\$ 105,411</u>
<b>PROPRIETARY FUNDS</b>				
Equipment	\$ 20,090	\$ --	\$ --	\$ 20,090
Building improvement	11,892	--	--	11,892
Total	<u>31,982</u>	<u>--</u>	<u>--</u>	<u>31,982</u>
Less: accumulated depreciation	(24,201)	(2,576)	--	(26,777)
Capital assets, net	<u>\$ 7,781</u>	<u>\$ (2,576)</u>	<u>\$ --</u>	<u>\$ 5,205</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 responsibility 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 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.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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, 2007 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, 2007, 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, 2007, the State of Illinois contributions were based on 9.78 percent of creditable earnings, and Lake County Regional Office of Education No. 34, recognized revenue and expenditures of \$79,430 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2006 and June 30, 2005, the State of Illinois contribution rates as percentages of creditable earnings were 7.06 percent (\$47,301) and 11.76 percent (\$71,646), respectively. The state contributions to TRS for the years ended June 30, 2007 and June 30, 2006 were based on dollar amounts specified by the statute and were not actuarially determined. The state contributions for the year ended June 30, 2005 were based on an actuarial formula.

The Lake County Regional Office of Education No. 34 makes 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. This rate is specified by statute. Contributions for the year ended June 30, 2007 were \$4,711. Contributions for the years ended June 30, 2006, and June 30, 2005, were \$3,886 and \$3,533, 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 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, 2007, the employer pension contribution was 9.78 percent of salaries paid from federal and trust funds. For the year ended June 30, 2006, the employer contribution was 7.06 percent of salaries paid



**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

from federal and trust funds. For the year ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2007, salaries totaling \$379,903 were paid from federal and trust funds that required employer contributions of \$37,155. For the years ended June 30, 2006 and June 30, 2005, required Lake County Regional Office of Education No. 34 contributions were \$19,042 and \$32,779, 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, 2007, 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, 2006 and June 30, 2005, the Lake County Regional Office of Education No. 34 paid \$0 and \$0 in employer ERO contributions, respectively.
- **Salary Increases Over 6 Percent and Excess Sick Leave.** Public Act 94-0004 added two new employer contributions to TRS.
  - If an employer grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases of up to 6 percent. For the years ended June 30, 2007 and June 30, 2006, the Lake County Regional Office of Education No. 34 did not have any payments to TRS for employer contributions due on salary increases in excess of 6 percent.
  - If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (17.60 percent of salary during the year ended June 30, 2007). For the years ended June 30, 2007 and June 30, 2006, the Lake County Regional Office of Education No. 34 did not have any employer contributions granted for sick leave days in excess of the normal annual allotment.

TRS financial information, an explanation of TRS' benefits, and descriptions of member, employer and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2006. The report for the year ended June 30, 2007, is expected to be available in late 2007. 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.

**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, 2007, were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2008	\$ 34,886
2009	34,886
2010	26,460
2011	10,665
Total minimum lease payment	<u>106,897</u>
Less: amount representing interest	<u>11,104</u>
Present value of minimum lease payments	<u>\$ 95,793</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.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Regional Superintendent - salary	\$ 88,540
Regional Superintendent - benefits (includes State paid insurance)	19,281
Assistant Regional Superintendent - salary	79,685
Assistant Regional Superintendent - benefits (includes State paid insurance)	12,391
TRS Contributions	<u>79,430</u>
 Total on-behalf payments	 <u>\$ 279,327</u>

**NOTE 8 - INTERFUND TRANSACTIONS**

**(a) Due From (To) Other Funds**

The following is a summary of amounts due from (to) other funds as of June 30, 2007:

Fund	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund - ROE/ISC Operations	\$ 3,153	\$ -
General Fund - PASS (Positive Alternative Student Services)	-	100
General Fund - Educational Services Division Local Operations	-	43,484
Educational Services Division	-	2,856
Proprietary Fund - Education Services Division	<u>43,484</u>	<u>197</u>
Total	<u>\$ 46,637</u>	<u>\$ 46,637</u>

**(b) Transfer From (To) Other Fund**

The composition of interfund transfer for the year ended June 30, 2007 is as follows:

Fund	<u>Transfer-out</u>	<u>Transfer-in</u>
General Fund - Educational Services Division Local Operations	\$ 43,484	\$ -
Proprietary Fund - Education Services Division	-	43,484
Total	<u>\$ 43,484</u>	<u>\$ 43,484</u>

**NOTE 9 - DEFICIT FUND BALANCES**

The following Education, Nonmajor Special Revenue Funds and Proprietary Funds have deficit fund balances as of June 30, 2007:

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Fund	Amount
Education Fund:	
Technology Enhancing Education - Competitive	\$ 755
Nonmajor Special Revenue Funds:	
Supervisory	2
Workforce Development Department	
Summer Training and Education Program (STEP)	94
Proprietary Funds:	
Education Services Division	327,023
Total Deficit Fund Balances	\$ 327,874

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:

<b>DUE FROM OTHER GOVERNMENT</b>	
Illinois State Board of Education	\$ 395,487
Will County ROE - Professional Development Alliance	350,492
Lake County	2,624
Total	\$ 748,603
<b>DUE TO OTHER GOVERNMENT</b>	
Lake County Treasurer	\$ 374,646
Local School Districts	372,894
Illinois State Board of Education	42,374
Kane County Regional Office of Education No. 31	20,504
College of Lake County	3,855
Total	\$ 814,273

**SUPPLEMENTARY INFORMATION**

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34**  
**GENERAL FUND**  
**COMBINING SCHEDULE OF ACCOUNTS**  
**JUNE 30, 2007**

**SCHEDULE 1**

	<b>ROE/ISC Operations</b>	<b>Educational Services Division Local Operations</b>	<b>PASS (Positive Alternative Student Services)</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,497	\$ 594,449	\$ 46,506	\$ 653,452
Accounts receivable	1,079	6,774	135	7,988
Due from other governments	2,624	-	-	2,624
Due from other funds	3,153	-	-	3,153
	<hr/>			
Total assets	19,353	601,223	46,641	667,217
<hr/>				
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	7,188	321	135	7,644
Due to other governments	12,145	8,042	-	20,187
Due to other funds	-	43,484	100	43,584
Deferred revenues	-	54,306	-	54,306
Total liabilities	19,333	106,153	235	125,721
<hr/>				
<b>FUND BALANCES</b>				
Unreserved	20	495,070	46,406	541,496
<hr/>				
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 19,353</b>	<b>\$ 601,223</b>	<b>\$ 46,641</b>	<b>\$ 667,217</b>
<hr/>				

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, 2007

SCHEDULE 2

	ROE/ISC Operations	Educational Services Division Local Operations	PASS (Positive Alternative Student Services)	Total
<b>REVENUES</b>				
State sources	\$ 267,990	\$ -	\$ -	\$ 267,990
Local sources				
Intergovernmental	-	187,583	-	187,583
Fees for services	-	7,191	160	7,351
Interest	20	8,141	3,379	11,540
On-behalf payments	279,327	-	-	279,327
<b>Total revenues</b>	<b>547,337</b>	<b>202,915</b>	<b>3,539</b>	<b>753,791</b>
<b>EXPENDITURES</b>				
Salaries	205,528	71,055	-	276,583
Benefits	18,827	18,268	2,269	39,364
Purchased services	42,413	751	3,822	46,986
Supplies and materials	4,445	2,845	1,629	8,919
Capital expenditures	-	123,421	-	123,421
Miscellaneous	-	125	-	125
On-behalf payments	279,327	-	-	279,327
<b>Total expenditures</b>	<b>550,540</b>	<b>216,465</b>	<b>7,720</b>	<b>774,725</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(3,203)</b>	<b>(13,550)</b>	<b>(4,181)</b>	<b>(20,934)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of capital lease obligations	-	80,173	-	80,173
Transfers out	-	(43,484)	-	(43,484)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>36,689</b>	<b>-</b>	<b>36,689</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES</b>	<b>(3,203)</b>	<b>23,139</b>	<b>(4,181)</b>	<b>15,755</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>3,223</b>	<b>471,931</b>	<b>50,587</b>	<b>525,741</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 20</b>	<b>\$ 495,070</b>	<b>\$ 46,406</b>	<b>\$ 541,496</b>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
 GENERAL FUND ACCOUNTS  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2007

SCHEDULE 3

	ROE/ISC Operations		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
State sources	\$ 267,990	\$ 267,990	\$ -
Local sources			
Interest	-	20	20
On-behalf payments	-	279,327	279,327
Total revenues	<u>267,990</u>	<u>547,337</u>	<u>279,347</u>
<b>EXPENDITURES</b>			
Salaries	205,143	205,528	(385)
Benefits	15,446	18,827	(3,381)
Purchased services	43,401	42,413	988
Supplies and materials	4,000	4,445	(445)
On-behalf payments	-	279,327	(279,327)
Total expenditures	<u>267,990</u>	<u>550,540</u>	<u>(282,550)</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>(3,203)</u>	<u>\$ (3,203)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>3,223</u>	
<b>FUND BALANCE, END OF YEAR</b>		<u>\$ 20</u>	



LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
 EDUCATION FUND  
 COMBINING SCHEDULE OF ACCOUNTS  
 JUNE 30, 2007

SCHEDULE 4

	ROE/ISC Internal Review	Technology for Schools	Summer Bridges	Technology Enhancing Education - Competitive	Administrator's Academy	Title I - Reading First Part B SEA Funds
Cash and cash equivalents (overdrafts)	\$ 39	\$ 141	\$ 99	\$ (755)	\$ -	\$ 9,637
Investments	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>39</b>	<b>141</b>	<b>99</b>	<b>(755)</b>	<b>-</b>	<b>9,637</b>

**LIABILITIES AND FUND BALANCES**

**LIABILITIES**

Accounts payable and accrued expenses	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	8,961
Total liabilities	-	-	-	-	-	8,961

**FUND BALANCES**

Unreserved	39	141	99	(755)	-	676
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 39</b>	<b>\$ 141</b>	<b>\$ 99</b>	<b>(755)</b>	<b>\$ -</b>	<b>\$ 9,637</b>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
 EDUCATION FUND  
 COMBINING SCHEDULE OF ACCOUNTS  
 JUNE 30, 2007

SCHEDULE 4  
 (CONTINUED)

	ROE/ISC Technology	Regional Safe Schools	Truants Alternative/ Optional Education	McKinney Education for Homeless Children	Juvenile Detention Fund	Total
<b>ASSETS</b>						
Cash and cash equivalents (overdrafts)	\$ -	\$ 1,086,015	\$ 13,956	\$ 36,893	\$ 32,832	\$ 1,178,857
Investments	-	350,000	-	-	-	350,000
Accounts receivable	-	15,062	-	-	-	15,062
Due from other governments	-	-	-	-	363,022	363,022
<b>TOTAL ASSETS</b>	-	1,451,077	13,956	36,893	395,854	1,906,941
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	-	790	-	-	-	790
Deferred revenues	-	35,623	-	9,470	-	45,093
Due to other funds	-	-	-	-	-	-
Due to other governments	-	354,478	13,956	25,870	201,393	604,658
Total liabilities	-	390,891	13,956	35,340	201,393	650,541
<b>FUND BALANCES</b>						
Unreserved	-	1,060,186	-	1,553	194,461	1,256,400
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ -	\$ 1,451,077	\$ 13,956	\$ 36,893	\$ 395,854	\$ 1,906,941

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, 2007

SCHEDULE 5

	ROE/ISC Internal Review	Technology for Schools	Summer Bridges	Technology Enhancing Education - Competitive	Administrator's Academy	Title I - Reading First Part B SEA Funds
<b>REVENUES</b>						
Federal sources	\$ -	\$ -	\$ -	24,738	\$ -	\$ -
State sources	-	-	-	-	-	-
Local sources	-	-	-	-	-	-
Fees for services	118	-	-	-	-	20,145
Interest	-	214	-	100	28	10,110
Total revenues	118	214	-	24,838	28	30,255
<b>EXPENDITURES</b>						
Salaries	-	-	-	-	-	-
Benefits	-	-	-	-	-	-
Purchased services	-	-	-	-	-	-
Supplies and materials	-	41	-	1	-	7
Miscellaneous	-	-	-	-	-	-
Payment to other governments	-	-	-	-	-	-
Capital expenditures	-	-	-	24,738	-	-
Total expenditures	-	41	-	24,739	-	7
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	118	173	-	99	28	30,248
<b>OTHER FINANCING SOURCE</b>						
Proceeds of capital lease obligations	-	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES</b>	118	173	-	99	28	30,248
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	(79)	(32)	99	(854)	(28)	(29,572)
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	\$ 39	\$ 141	\$ 99	\$ (755)	\$ -	\$ 676

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, 2007

	ROE/ISC Technology	Regional Safe Schools	Truants Alternative/ Optional Education	McKinney Education for Homeless Children	Juvenile Detention Fund	Total
<b>REVENUES</b>						
Federal sources	\$ -	\$ -	\$ -	\$ 144,802	\$ -	\$ 169,540
State sources	-	1,897,453	151,494	-	-	2,048,947
Local sources	-	-	-	-	-	-
Fees for services	-	25,000	-	-	850,333	895,596
Interest	-	32,158	-	1,553	2,497	46,660
Total revenues	-	1,954,611	151,494	146,355	852,830	3,160,743
<b>EXPENDITURES</b>						
Salaries	-	116,726	116,150	39,858	650,805	923,539
Benefits	-	38,256	22,262	12,719	161,269	234,506
Purchased services	-	1,185,093	11,970	11,041	1,602	1,209,706
Supplies and materials	118	11,311	1,112	23,214	1,935	37,739
Miscellaneous	-	1,036	-	20,503	-	21,539
Payment to other governments	-	424,353	-	33,520	-	482,611
Capital expenditures	-	53,730	-	3,947	-	57,677
Total expenditures	118	1,830,505	151,494	144,802	815,611	2,967,317
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(118)	124,106	-	1,553	37,219	193,426
<b>OTHER FINANCING SOURCE</b>						
Proceeds of capital lease obligations	-	15,620	-	-	-	15,620
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES</b>	(118)	139,726	-	1,553	37,219	209,046
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	118	920,460	-	-	157,242	1,047,354
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	\$ -	\$ 1,060,186	\$ -	\$ 1,553	\$ 194,461	\$ 1,256,400

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
 EDUCATION FUND ACCOUNTS  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2007

SCHEDULE 6

	Truants Alternative/Optional Education			Regional Safe Schools*			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>									
State sources	\$ 151,494	\$ 151,494	\$ -	\$ 1,140,136	\$ 1,897,453	\$ 757,317	\$ 1,291,630	\$ 2,048,947	\$ 757,317
Local sources	-	-	-	-	25,000	25,000	-	25,000	25,000
Fees for services	-	-	-	-	32,158	32,158	-	32,158	32,158
Interest	-	-	-	-	-	-	-	-	-
Total revenues	151,494	151,494	-	1,140,136	1,954,611	814,475	1,291,630	2,106,105	814,475
<b>EXPENDITURES</b>									
Salaries	117,111	116,150	961	-	116,726	(116,726)	117,111	232,876	(115,765)
Benefits	20,518	22,262	(1,744)	-	38,256	(38,256)	20,518	60,518	(40,000)
Purchased services	12,849	11,970	879	165,503	1,185,093	(1,019,590)	178,352	1,197,063	(1,018,711)
Supplies and materials	1,016	1,112	(96)	-	11,311	(11,311)	1,016	12,423	(11,407)
Miscellaneous	-	-	-	-	1,036	(1,036)	-	1,036	(1,036)
Payments to other governments	-	-	-	974,633	424,353	550,280	974,633	424,353	550,280
Capital expenditures	-	-	-	-	53,730	(53,730)	-	53,730	(53,730)
Total expenditures	151,494	151,494	-	1,140,136	1,830,505	(690,369)	1,291,630	1,981,999	(690,369)
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	\$ -	\$ -	\$ -	\$ -	\$ 124,106	\$ 124,106	\$ -	\$ 124,106	\$ 124,106
<b>OTHER FINANCING SOURCE</b>									
Proceeds of capital lease obligations	-	-	-	-	15,620	15,620	-	15,620	15,620
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES</b>									
	-	-	-	-	139,726	139,726	-	139,726	139,726
<b>FUND BALANCES, BEGINNING OF YEAR</b>									
	-	-	-	-	920,460	920,460	-	920,460	920,460
<b>FUND BALANCES, END OF YEAR</b>									
	\$ -	\$ -	\$ -	\$ 1,060,186	\$ 1,060,186	\$ 1,060,186	\$ -	\$ 1,060,186	\$ 1,060,186

\* Includes \$371,805 General State Aid grant for which there is no budgeted expenditure.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
 NONMAJOR SPECIAL REVENUE FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2007

	General Education Development	Bus Driver Training	Regional Board of School Trustees	Supervisory	Reading Recovery Installation Fees	Reading Recovery Operations
Cash and cash equivalents (overdrafts)	\$ 20,564	\$ 13,777	\$ 2,911	(2)	\$ 76,674	\$ 22,012
Investments	-	-	-	-	-	-
Accounts receivable	9	200	-	-	-	-
Due from other governments	-	-	-	-	-	-
<b>Total assets</b>	<b>20,573</b>	<b>13,977</b>	<b>2,911</b>	<b>(2)</b>	<b>76,674</b>	<b>22,012</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	-	-	-	-	-	66
Due to other governments	3,605	925	-	-	-	10,677
Total liabilities	3,605	925	-	-	-	10,743
<b>FUND BALANCES</b>						
Unreserved	16,968	13,052	2,911	(2)	76,674	11,269
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 20,573</b>	<b>\$ 13,977</b>	<b>\$ 2,911</b>	<b>(2)</b>	<b>\$ 76,674</b>	<b>\$ 22,012</b>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2007

SCHEDULE 7  
(CONTINUED)

	Distributive Interest	Workforce Development Department Summer Training and Education Program (STEP)	Learning Technology Center	PASS (Positive Alternative Student Services)	Pre-School Monitoring	Total
\$	14,352	\$ -	8,871	\$ 91,036	\$ 4,561	\$ 254,756
	-	-	-	24,290	-	24,290
	240	-	-	333	-	782
	-	-	6,465	26,000	-	32,465
	14,592	-	15,336	141,659	4,561	312,293

ASSETS

Cash and cash equivalents (overdrafts)  
Investments  
Accounts receivable  
Due from other governments

Total assets

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable and accrued expenses  
Due to other governments  
Total liabilities

FUND BALANCES

Unreserved

TOTAL LIABILITIES AND FUND BALANCES

	-	94	1,373	861	3,800	6,194
	35	-	7,498	4,492	-	27,232
	35	94	8,871	5,353	3,800	33,426
	14,557	(94)	6,465	136,306	761	278,867
\$	14,592	\$ -	15,336	\$ 141,659	\$ 4,561	\$ 312,293

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, 2007

SCHEDULE 8

	General Education Development	Bus Driver Training	Regional Board of School Trustees	Supervisory	Reading Recovery Installation Fees	Reading Recovery Operations
\$	-	\$ 3,600	-	\$ 1,000	\$ -	\$ 21,200
State sources						
Local sources						
Fees for services	48,645	7,867	1,447	-	-	121,635
Interest	913	456	-	6	2,056	683
Total revenues	49,558	11,923	1,447	1,006	2,056	143,518
<b>EXPENDITURES</b>						
Salaries	-	-	-	-	-	82,992
Benefits	-	-	-	-	-	14,354
Purchased services	55,757	11,587	2,487	1,021	-	39,378
Supplies and materials	2,627	4,647	-	-	-	12,286
Miscellaneous	4,320	54	-	-	-	-
Payment to other governments	-	-	-	-	-	4,050
Total expenditures	62,704	16,288	2,487	1,021	-	153,060
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(13,146)	(4,365)	(1,040)	(15)	2,056	(9,542)
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	30,114	17,417	3,951	13	74,618	20,811
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	\$ 16,968	\$ 13,052	\$ 2,911	\$ (2)	\$ 76,674	\$ 11,269



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, 2007

SCHEDULE 8  
 (CONTINUED)

	Distributive Interest	Workforce Development Department Summer Training and Education Program (STEP)	Learning Technology Center	PASS (Positive Alternative Student Services)	Pre-School Monitoring	Total
<b>REVENUES</b>						
State sources	\$ -	\$ -	\$ 95,458	\$ -	\$ 38,150	\$ 159,408
Local sources						
Fees for services	6,475	-	-	44,837	127	231,033
Interest	16,603	-	-	1,436	-	22,153
Total revenues	23,078	-	95,458	46,273	38,277	412,594
<b>EXPENDITURES</b>						
Salaries	-	-	78,539	19,733	-	181,264
Benefits	-	-	8,444	874	-	23,672
Purchased services	1,808	-	2,010	10,929	35,916	160,893
Supplies and materials	-	-	-	5,954	600	26,114
Miscellaneous	10,166	-	-	-	-	14,540
Payment to other governments	-	-	-	-	1,000	5,050
Total expenditures	11,974	-	88,993	37,490	37,516	411,533
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	11,104	-	6,465	8,783	761	1,061
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	3,453	(94)	-	127,523	-	277,806
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	\$ 14,557	\$ (94)	\$ 6,465	\$ 136,306	\$ 761	\$ 278,867

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
 BUDGETARY COMPARISON SCHEDULE  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007

	Reading Recovery Operations			Learning Technology Center			Total	Variance Favorable (Unfavorable)
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)		
<b>REVENUES</b>								
State sources	\$ 21,200	\$ 21,200	\$ -	\$ 95,458	\$ 95,458	\$ -	\$ 116,658	\$ -
Local sources	-	121,635	121,635	-	-	-	-	121,635
Fees for services	-	683	683	-	-	-	-	683
Interest	-	-	-	-	-	-	-	-
Total revenues	21,200	143,518	122,318	95,458	95,458	-	116,658	238,976
<b>EXPENDITURES</b>								
Salaries	20,200	82,992	(62,792)	79,480	78,539	941	99,680	161,531
Benefits	-	14,354	(14,354)	7,714	8,444	(730)	7,714	22,798
Purchased services	1,000	39,378	(38,378)	8,264	2,010	6,254	9,264	41,388
Supplies and materials	-	12,286	(12,286)	-	-	-	-	12,286
Payments to other governments	-	4,050	(4,050)	-	-	-	-	4,050
Total expenditures	21,200	153,060	(131,860)	95,458	88,993	6,465	116,658	242,053
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	\$ -	(9,542)	(9,542)	\$ -	6,465	6,465	\$ -	(3,077)
<b>FUND BALANCES, BEGINNING OF YEAR</b>		20,811						20,811
<b>FUND BALANCES, END OF YEAR</b>	\$ 11,269			\$ 6,465				\$ 17,734

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007**

**SCHEDULE 10**

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 542	\$ 2,254,799	\$ 2,253,270	\$ 2,071
<b>LIABILITIES</b>				
Distributive payable	\$ 542	\$ 2,254,799	\$ 2,253,270	\$ 2,071

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHERS  
 FOR THE YEAR ENDED JUNE 30, 2007

SCHEDULE 11

	Regional Superintendent of Schools	Education Service Center	Truancy Alternative Program	Total
General State Aid - Sec. 18-8	\$ 571,805	\$ -	\$ -	\$ 571,805
School Bus Driver Training	3,600	-	-	3,600
Truants Alternative/Optional Education	-	-	151,494	151,494
ROE Safe Schools Program	1,140,136	-	-	1,140,136
K-6 Reading Improvement-R.R.	21,200	-	-	21,200
ROE/ISC Operations	-	267,990	-	267,990
Supervisory	1,000	-	-	1,000
Technology - Learning Technology Center	-	95,458	-	95,458
Title I - Reading First Part B SEA Funds	-	587	-	587
<b>Total</b>	<b>\$ 1,737,741</b>	<b>\$ 364,035</b>	<b>\$ 151,494</b>	<b>\$ 2,253,270</b>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2007

SCHEDULE 12

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2007 Expenditures
<b><u>DEPARTMENT OF EDUCATION</u></b>			
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	\$ 45,184
<i>McKinney Education for Homeless Children</i>	84.196A	07-4920-00	99,618
			<u>144,802</u>
Title I Grants to Local Educational Agencies			
Passed-Through Will County Regional Office of Education No. 56			
<i>Title I - School Improvement &amp; Accountability</i>	(M) 84.010A	06-4331-SS	41,379
<i>Title I - School Improvement &amp; Accountability</i>	(M) 84.010A	07-4331-SS	741,073
			<u>782,452</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	07-4935-SS	25,872
			<u>25,872</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 953,126</u></b>

(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, 2007**

**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.