

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

**FINANCIAL AUDIT
For the Year Ended June 30, 2014**

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

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LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

OFFICIALS

Regional Superintendent
(During the Audit Period and Current)

Honorable Roycealee J. Wood

Assistant Regional Superintendent
(During the Audit Period and Current)

Mr. Gary E. Pickens

Office is located at:

800 Lancer Lane
Suite E-128
Grayslake, Illinois 60030-2656

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

FINANCIAL REPORT SUMMARY

The financial 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 do not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	3	1
Repeated audit findings	1	1
Prior recommendations implemented or not repeated	0	4

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

SUMMARY OF FINDINGS AND RESPONSES

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

2014-001	11	Controls Over Financial Statement Preparation	Material Weakness
2014-002	13	Controls Over Fund Accounting	Material Weakness
2014-003	15	Inadequate Review of Journal Entries	Material

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

None

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

FINANCIAL REPORT SUMMARY (CONTINUED)

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference held on April 22, 2015. Attending were Honorable Roycealee J. Wood, Regional Superintendent, Gary E. Pickens, Assistant Regional Superintendent, Kay Klemens, Principal Accountant, Kent Blake, Financial Consultant and Kristyl McDaniel, auditor with Winkel, Parker & Foster, CPA PC. Responses to the recommendations were provided by the Lake County Regional Office of Education No. 34 on March 9, 2015.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of Lake County Regional Office of Education No. 34 was performed by Winkel, Parker & Foster, CPA PC.

Based on their audit, the auditors expressed an unmodified 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

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake County Regional Office of Education No. 34, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Lake County Regional Office of Education No. 34's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake County Regional Office of Education No. 34, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress - Other Postemployment Benefits on pages 24 through 33 and 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake County Regional Office of Education No. 34's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of accounts, the budgetary comparison schedules and the combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules of accounts, the budgetary comparison schedules and the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2015 on our consideration of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake County Regional Office of Education No. 34's internal control over financial reporting and compliance.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
April 22, 2015



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake County Regional Office of Education No. 34, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Lake County Regional Office of Education No. 34's basic financial statements, and have issued our report thereon dated April 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lake County Regional Office of Education No. 34's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake County Regional Office of Education No. 34's internal control. Accordingly, we do not express an opinion on the effectiveness of Lake County Regional Office of Education No. 34's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2014-001, 2014-002 and 2014-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake County Regional Office of Education No. 34's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Regional Office of Education No. 34's Responses to Findings

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 Responses. Lake County Regional Office of Education No. 34's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lake County Regional Office of Education No. 34's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake County Regional Office of Education No. 34's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
April 22, 2015

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014**

Section I: Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: _____ Unmodified _____

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes x no

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014

Section II: Financial Statement Findings:

FINDING NO. 2014-001 - Controls Over Financial Statement Preparation (Repeat from 13-001, 12-1, 11-1 and 10-1)

Criteria/Specific Requirement:

Lake County Regional Office of Education No. 34 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Regional Office of Education No. 34's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

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

Condition:

The Regional Office of Education No. 34 does not have sufficient internal controls over the financial reporting process. While the Regional Office of Education No. 34 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect and correct financial statement misstatements and disclosure omissions in a timely manner.

During review of the Regional Office of Education No. 34's financial information prepared by the Regional Office of Education No. 34, it was noted that the Regional Office of Education No. 34 did not have adequate controls to ensure financial statement balances were accurate. While the Regional Office of Education No. 34 did maintain records to indicate the balances of financial statement accounts, numerous material audit adjustments were proposed in order to ensure balances of supporting records and reconciliations agreed to the general ledger financial statement accounts, and to add or remove items not properly identified by the Regional Office of Education No. 34.

Effect:

Management or employees in the normal course of performing their assigned functions may not prevent or detect and correct financial statement misstatements and disclosure omissions in a timely manner.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014

Section II: Financial Statement Findings:

FINDING NO. 2014-001 - Controls Over Financial Statement Preparation (Repeat from 13-001, 12-1, 11-1 and 10-1) (Continued)

Cause:

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

Recommendation:

As part of internal control over the preparation of financial statements, including disclosures, the Regional Office of Education No. 34 should implement comprehensive preparation procedures to ensure that the financial statements, including disclosures, are complete and accurate. The Regional Office of Education No. 34 should ensure that all general ledger financial statement accounts agree to supporting records and reconciliations. In addition, the Regional Office of Education No. 34 should perform a detailed review of activity subsequent to fiscal year end to ensure that all accruals are properly recorded. These procedures should be performed by a properly trained individual possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education No. 34's activities and operations.

Management's Response:

The Lake ROE agrees with the finding and will continue to implement comprehensive preparation and review procedures to ensure that financial statements including disclosures are complete and accurate. Included in the corrective activities are continued consulting services and training to Lake ROE finance staff regarding preparation of financial statements (including review for completeness and accuracy). In addition, the Lake ROE has contracted with a part-time business consultant who continues to review Lake ROE business procedures and controls. Finally, in an effort to streamline preparation of comprehensive financial statements, the Lake ROE will continue efforts to consolidate multiple installations of the financial management software during Fiscal Year 2015. This merged data system will be tested and validated by the end of Fiscal Year 2015 (Note: Originally scheduled for Fiscal Year 2014 completion).

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014**

Section II: Financial Statement Findings:

FINDING NO. 2014-002 - Controls Over Fund Accounting

Criteria/Specific Requirement:

Lake County Regional Office of Education No. 34 is required by the Illinois State Board of Education to maintain their accounting system in accordance with the Regional Office of Education Accounting Manual (Manual). The Manual requires the Regional Office of Education No. 34 to maintain an accounting system on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Condition:

The Regional Office of Education No. 34 did not ensure all holding accounts were cleared out, individual funds were self-balanced, opening fund balance amounts agreed to the prior period closing fund balance amounts and all balance sheet accounts were reconciled to supporting documentation. Auditors specifically noted the following:

- Trial balance reports initially provided to auditors for the Educational Services Division (ESD) and Attendance and Truancy Division (ATD) were not balanced in total. Additionally, the individual funds were not self-balancing and reconciled to supporting documentation.
- Trial balance reports initially provided to auditors had unallocated balances in holding accounts and opening fund balance amounts did not agree to June 30, 2013 closing fund balance amounts. The Regional Office of Education No. 34 uses holding accounts for cash and fund balance accounts. Some transactions are initially posted to the holding accounts and subsequently allocated to financial statement accounts.

Auditors requested and subsequently received trial balances that were balanced.

Effect:

Trial balance reports initially contained material errors. Lack of proper fund accounting may inhibit the Regional Office of Education No. 34 from tracking specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014

Section II: Financial Statement Findings:

FINDING NO. 2014-002 - Controls Over Fund Accounting (Continued)

Cause:

The Regional Office of Education No. 34 is standardizing its chart of accounts across multiple locations and working to merge general ledgers for the Regional Office of Education Administrative, Educational Services Division, and Attendance and Truancy Divisions. These changes have not been fully completed and contributed to the deficiencies. In addition, holding accounts were not cleared out and the Regional Office of Education No. 34 did not have the trial balance reports set up properly in order to include all the necessary accounts and balances.

Recommendation:

The Regional Office of Education No. 34 should assign a member of management with suitable skills, knowledge and experience to review their trial balance reports at regular intervals throughout the year. The Regional Office of Education No. 34 should ensure all holding accounts are cleared out, individual funds are self-balanced, opening fund balance amounts agree to the prior period closing fund balance amounts and all balance sheet accounts are reconciled to supporting documentation.

Management's Response:

The Lake ROE agrees with the finding and will assign members of management with suitable skills, knowledge and experience to review trial balance reports at regular intervals throughout the year. This activity commenced with the lessons learned from the Fiscal Year 2014 experience and will be ongoing through Fiscal Year 2015. Activities will include ensuring all holding accounts are cleared out, individual funds are self-balanced, opening fund balance amounts agree to the prior period closing fund balance amounts, and all balance sheet accounts are reconciled to supporting documentation. Management designees include the Lake ROE accountant, the Assistant Regional Superintendent/Director of Educational Services, and a part-time business consultant.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014**

Section II: Financial Statement Findings:

FINDING NO. 2014-003 - Inadequate Review of Journal Entries

Criteria/Specific Requirement:

Lake County Regional Office of Education No. 34 is responsible for establishing and maintaining an internal control system over journal entries to prevent or detect and correct financial statement misstatements in a timely manner.

Condition:

Upon detailed review of journal entries auditors noted that many were improperly recorded. In addition, supporting documents for the journal entries did not always include the written review and approval of someone other than the preparer. Prior to proposed audit adjustments, the financial statement amounts contained material misstatements due to improperly recorded journal entries. Improperly recorded journal entries included:

- Posting of previous audit adjustments to fiscal year 2014 as opposed to the previous years
- Incomplete or duplicate reversals of prior year balance sheet accruals and previous audit adjustments
- Improper posting of entries to “net fund change” accounts
- Improper posting of entries to “fund balance” accounts
- Unbalanced entries to “transfer” and “interfund loan” accounts

Effect:

Management or employees in the normal course of performing their assigned functions may not prevent or detect and correct financial statement misstatements in a timely manner due to improperly recorded adjusting entries.

Cause:

Due to a lack of controls over journal entries, errors were not prevented or detected and corrected in a timely manner.

Recommendation:

The Regional Office of Education No. 34 should assign a member of management with suitable skills, knowledge and experience to review for propriety and provide written approval of all journal entries along with supporting documentation prior to the entries being posted to the accounting records.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014

Section II: Financial Statement Findings:

FINDING NO. 2014-003 - Inadequate Review of Journal Entries (Continued)

Management's Response:

The Lake ROE agrees with this finding and has assigned a member of management with suitable skills, knowledge and experience to review for propriety and provide written approval of all journal entries along with supporting documentation prior to the entries being posted to the accounting records. In addition, journal entry transactions have been consolidated under the ROE accountant position to ensure proper recording and a complete review of Fiscal Year 2015 is being conducted to ensure recording errors identified in Fiscal Year 2014 do not continue into Fiscal Year 2015.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014

Section III: Federal Award Findings:

Not Applicable

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2014**

FINDING NO. 2014-001 - Controls Over Financial Statement Preparation (Repeat from 13-001, 12-1, 11-1 and 10-1)

Condition:

The Regional Office of Education No. 34 does not have sufficient internal controls over the financial reporting process. While the Regional Office of Education No. 34 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect and correct financial statement misstatements and disclosure omissions in a timely manner.

During review of the Regional Office of Education No. 34's financial information prepared by the Regional Office of Education No. 34, it was noted that the Regional Office of Education No. 34 did not have adequate controls to ensure financial statement balances were accurate. While the Regional Office of Education No. 34 did maintain records to indicate the balances of financial statement accounts, numerous material audit adjustments were proposed in order to ensure balances of supporting records and reconciliations agreed to the general ledger financial statement accounts, and to add or remove items not properly identified by the Regional Office of Education No. 34.

Plan:

- Continue implementation of current comprehensive preparation and review procedures to ensure that financial statements including disclosures are complete and accurate (Note: This activity was ongoing through FY 2014. Anticipated completion is by the end of FY 2015).
- Continue contracts with appropriate consultants to provide independent review, consulting services and training to Lake ROE finance staff regarding preparation of financial statements (including review for completeness and accuracy).
- Continue to conduct additional training regarding successful use of the Lake ROE's financial management software (provided by business consultant throughout FY 2014 and continuing into FY 2015).
- Continue contract with a part-time business consultant to review Lake ROE business procedures and controls.
- Align state account codes for all divisions with the Illinois Program Accounting Manual (all active accounts were completed in FY 2014. Minor verifications and additions are anticipated in FY 2015).
- Merge ROE, ESD, and ATD finance databases into one system (Originally scheduled for April 2014, this activity is now anticipated for June 2015)
- Validate merged data base for completeness and accuracy (June – August 2015)
- Revise and implement staff operating procedures to include a consolidated financial management system (ongoing).
- Complete finance software and account consolidation efforts (Ongoing through FY 2016).

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2014**

FINDING NO. 2014-001 - Controls Over Financial Statement Preparation (Repeat from 13-001, 12-1, 11-1 and 10-1) (Continued)

Anticipated Completion Date:

Currently in progress. Expected completion by June 30, 2015 for preparation of Fiscal Year 2015 financial statements (Note: This activity was originally scheduled for completion in June 2014).

Contact Person Responsible for Corrective Action:

Honorable Roycealee Wood, Regional Superintendent

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2014**

FINDING NO. 2014-002 - Controls Over Fund Accounting

Condition:

The Regional Office of Education No. 34 did not ensure all holding accounts were cleared out, individual funds were self-balanced, opening fund balance amounts agreed to the prior period closing fund balance amounts and all balance sheet accounts were reconciled to supporting documentation. Auditors specifically noted the following:

- Trial balance reports initially provided to auditors for the Educational Services Division (ESD) and Attendance and Truancy Division (ATD) were not balanced in total. Additionally, the individual funds were not self-balancing and reconciled to supporting documentation.
- Trial balance reports initially provided to auditors had unallocated balances in holding accounts and opening fund balance amounts did not agree to June 30, 2013 closing fund balance amounts. The Regional Office of Education No. 34 uses holding accounts for cash and fund balance accounts. Some transactions are initially posted to the holding accounts and subsequently allocated to financial statement accounts.

Auditors requested and subsequently received trial balances that were balanced.

Plan:

- Review all trial balance reports to ensure reports include all appropriate funds.
- Review all FY 2015 trial balance reports to ensure they are balanced in total.
- Ensure individual funds are self-balancing and reconciled to supporting documentation.
- Ensure FY 2015 opening fund balances in holding accounts (if any) agree with June 30, 2014 closing fund balance amount (as adjusted via FY 2014 audit recommendations).

Anticipated Completion Date:

June 30, 2015

Contact Person Responsible for Corrective Action:

Honorable Roycealee Wood, Regional Superintendent

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2014**

FINDING NO. 2014-003 - Inadequate Review of Journal Entries

Condition:

Upon detailed review of journal entries auditors noted that many were improperly recorded. In addition, supporting documents for the journal entries did not always include the written review and approval of someone other than the preparer. Prior to proposed audit adjustments, the financial statement amounts contained material misstatements due to improperly recorded journal entries. Improperly recorded journal entries included:

- Posting of previous audit adjustments to fiscal year 2014 as opposed to the previous years
- Incomplete or duplicate reversals of prior year balance sheet accruals and previous audit adjustments
- Improper posting of entries to “net fund change” accounts
- Improper posting of entries to “fund balance” accounts
- Unbalanced entries to “transfer” and “interfund loan” accounts

Plan:

- Consolidate recording of journal entries under one position. Effective February 26, 2015.
- Establish written review and approval procedures for journal entries under a management position other than the preparer. Scheduled for completion by April 30, 2015.
- Contract with part-time business consultant to provide preparer and reviewer training regarding properly recording journal entries and appropriate documentation. Scheduled for completion by April 30, 2015.
- Contract with part-time business consultant to conduct periodic independent review of journal entry preparer and reviewer accuracy. Commence March 3, 2015 with scheduled completion of first reviews by April 30, 2015. Subsequent review to be completed by June 30, 2015.

Anticipated Completion Date:

June 30, 2015

Contact Person Responsible for Corrective Action:

Honorable Roycealee Wood, Regional Superintendent

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2014

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
2013-001	Controls Over Financial Statement Preparation	Repeated

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Lake County Regional Office of Education 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 fiscal year ended June 30, 2014 with comparative information for the year ended June 30, 2013. Readers are encouraged to consider the information in conjunction with Lake County Regional Office of Education No. 34's basic financial statements.

2014 FINANCIAL HIGHLIGHTS

- Within the Governmental Funds, the General Fund revenues increased from \$2,962,597 in 2013 to \$3,356,233 in 2014 mostly due to increases in General State Aid revenues. The General Fund expenditures also increased from \$2,832,446 in 2013 to \$3,232,785 in 2014 mostly due to increases in salary/benefit and payment to other governments expenses.
- Within the Governmental Funds, the Special Revenue Fund revenues decreased from \$3,232,457 in 2013 to \$2,462,192 in 2014. The Special Revenue Fund expenditures decreased from \$3,276,807 in 2013 to \$2,370,347 in 2014. The decreases were mostly due to the loss of the System of Support program (included in the Educational Services Division fund).
- The Proprietary Fund revenues increased from \$236,377 in 2013 to \$256,748 in 2014 due to increased revenue from workshop fees. The Proprietary Fund expenditures increased from \$276,792 in 2013 to \$481,943 in 2014 due to increased expenditures in salaries and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

- *Management's Discussion and Analysis* introduces financial statements and provides an analytical overview of Lake County Regional Office of Education No. 34's financial activities.
- The *Government-wide Financial Statements* consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Lake County Regional Office of Education No. 34 as a whole and present an overall view of Lake County Regional Office of Education No. 34's finances.
- The *fund financial statements* tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lake County Regional Office of Education No. 34's operations in more detail than the government-wide statements by providing information about the most significant funds.
- *Notes to financial statements* provide additional information that is needed for a full understanding of the data provided in the basic financial statements.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

- *Required Supplementary Information* further explains and supports the financial statements with information about the Schedule of Funding Progress - Other Postemployment Benefits.
- *Supplementary Information* provides detailed information about the major and nonmajor funds along with budgetary comparison schedules.

REPORTING LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34 AS A WHOLE

It is important to note that the Lake County Regional Office of Education No. 34 is reported together with the following component units: Educational Services Division, Attendance and Truancy Division (ATD), Northern Illinois Reading Recovery Consortium, ROE Alternative Program, and Regional Board of School Trustees.

THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about Lake County Regional Office of Education No. 34 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of Lake County Regional Office of Education No. 34's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid using generally accepted accounting principles of GASB 34.

The government-wide financial statements report Lake County Regional Office of Education No. 34's net position and how they have changed. Net position - the net amount of Lake County Regional Office of Education No. 34's assets, deferred outflows of resources, liabilities and deferred inflows of resources - is one way to measure Lake County Regional Office of Education No. 34's financial health or financial position.

- Over time, increases or decreases in net position are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess Lake County Regional Office of Education No. 34's overall health, additional non-financial factors, such as new laws, rules, regulations, and actions by officials at the State level need to be considered.

In the government-wide financial statements, Lake County Regional Office of Education No. 34's activities are divided into two categories:

- *Governmental activities*: Most of Lake County Regional Office of Education No. 34's basic services are included here, such as grants and statutory funds. Federal and state grant proceeds finance most of these activities.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

- *Business-type activities:* Lake County Regional Office of Education No. 34 charges fees to help cover the costs of certain services it provides.

Fund Financial Statements

The fund financial statements provide more detailed information about Lake County Regional Office of Education No. 34'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. Lake County Regional Office of Education No. 34 establishes other funds to control and manage money for particular purposes, such as accounting for special revenue funds, or to show that it is properly using certain revenues, such as federal grants.

Lake County Regional Office of Education No. 34 has three kinds of funds:

- 1) *Governmental funds:* account for those funds through which most governmental functions of the Regional Office are financed. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Regional Office's programs. Lake County Regional Office of Education No. 34's Governmental Funds include: the General Fund and the Special Revenue Funds. 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 nonmajor enterprise funds. The proprietary funds' required financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows.
- 3) *Fiduciary funds:* account for assets held by the Lake County Regional Office of Education 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 statement is a Statement of Fiduciary Net Position.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve when examined over time as one indicator of the financial position of Lake County Regional Office of Education No. 34. The net position at the end of fiscal year 2014 and 2013 totaled \$2,689,238 and \$2,630,391, respectively. The analysis that follows provides a summary of Lake County Regional Office of Education No. 34's net position as of June 30.

Condensed Statement of Net Position

<u>2014</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current assets	\$ 3,229,990	\$ 152,136	\$ 3,382,126
Capital assets being depreciated, net	<u>87,146</u>	<u>6,805</u>	<u>93,951</u>
Total assets	<u>3,317,136</u>	<u>158,941</u>	<u>3,476,077</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Current liabilities	22,060	582,631	604,691
Non-current liabilities	<u>182,148</u>	<u>-</u>	<u>182,148</u>
Total liabilities	<u>204,208</u>	<u>582,631</u>	<u>786,839</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Net position			
Net investment in capital assets	14,709	6,805	21,514
Unrestricted	928,646	(430,495)	498,151
Restricted for educational purposes	<u>2,169,573</u>	<u>-</u>	<u>2,169,573</u>
Total net position	<u>\$ 3,112,928</u>	<u>\$ (423,690)</u>	<u>\$ 2,689,238</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

<u>2013</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current assets	\$ 3,021,661	\$ 158,487	\$ 3,180,148
Capital assets being depreciated, net	<u>44,861</u>	<u>50</u>	<u>44,911</u>
Total assets	<u>3,066,522</u>	<u>158,537</u>	<u>3,225,059</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Current liabilities	121,205	357,032	478,237
Non-current liabilities	<u>116,431</u>	<u>-</u>	<u>116,431</u>
Total liabilities	<u>237,636</u>	<u>357,032</u>	<u>594,668</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Net position			
Net investment in capital assets	17,801	50	17,851
Unrestricted	1,012,917	(198,545)	814,372
Restricted for educational purposes	<u>1,798,168</u>	<u>-</u>	<u>1,798,168</u>
Total net position	<u>\$ 2,828,886</u>	<u>\$ (198,495)</u>	<u>\$ 2,630,391</u>

Lake County Regional Office of Education No. 34's net position increased by \$58,847 (2%) from fiscal year 2013. Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. Unrestricted net position was \$498,151 at year end. The largest portion of Lake County Regional Office of Education No. 34's net position is restricted. Net position related to the Institute Fund, Education Fund and Non-Major Funds are considered restricted for educational purposes.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Changes in Net Position

The following analysis shows the changes in net position for the years ended June 30, 2014 and 2013.

<u>2014</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 365,344	\$ 256,748	\$ 622,092
Operating grants and contributions	2,114,261	-	2,114,261
General revenues:			
Local sources	255,621	-	255,621
State sources	1,836,354	-	1,836,354
On-behalf payments	<u>1,264,787</u>	<u>-</u>	<u>1,264,787</u>
Total revenues	<u>5,836,367</u>	<u>256,748</u>	<u>6,093,115</u>
Expenses:			
Instructional services:			
Salaries and employee benefits	1,204,321	350,448	1,554,769
Purchased services	516,932	83,638	600,570
Supplies and materials	64,200	43,972	108,172
Payments to other governments	2,464,289	-	2,464,289
Other objects	7,134	800	7,934
Depreciation and disposition losses	25,217	745	25,962
Capital outlay	5,445	2,340	7,785
Administrative:			
On-behalf payments	<u>1,264,787</u>	<u>-</u>	<u>1,264,787</u>
Total expenses	<u>5,552,325</u>	<u>481,943</u>	<u>6,034,268</u>
Change in net position	284,042	(225,195)	58,847
Net position, beginning of year	<u>2,828,886</u>	<u>(198,495)</u>	<u>2,630,391</u>
Net position, end of year	<u>\$ 3,112,928</u>	<u>\$ (423,690)</u>	<u>\$ 2,689,238</u>

Operating grants and contributions account for 35% of the total revenue. Lake County Regional Office of Education No. 34's expenses primarily relate to instructional services, which account for 79% of the total expenses.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

<u>2013</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 394,463	\$ 236,377	\$ 630,840
Operating grants and contributions	2,767,143	-	2,767,143
General revenues:			
Local sources	188,816	-	188,816
State sources	1,587,831	-	1,587,831
On-behalf payments	<u>1,186,859</u>	<u>-</u>	<u>1,186,859</u>
Total revenues	<u>6,125,112</u>	<u>236,377</u>	<u>6,361,489</u>
Expenses:			
Instructional services:			
Salaries and employee benefits	1,587,720	100,244	1,687,964
Purchased services	839,217	117,998	957,215
Supplies and materials	56,460	57,513	113,973
Payments to other governments	2,416,313	-	2,416,313
Other objects	9,928	983	10,911
Depreciation and disposition losses	29,186	-	29,186
Capital outlay	6,558	54	6,612
Administrative:			
On-behalf payments	<u>1,186,859</u>	<u>-</u>	<u>1,186,859</u>
Total expenses	<u>6,132,241</u>	<u>276,792</u>	<u>6,409,033</u>
Change in net position	(7,129)	(40,415)	(47,544)
Net position, beginning of year	<u>2,836,015</u>	<u>(158,080)</u>	<u>2,677,935</u>
Net position, end of year	<u>\$ 2,828,886</u>	<u>\$ (198,495)</u>	<u>\$ 2,630,391</u>

Operating grants and contributions account for 44% of the total revenue. Lake County Regional Office of Education No. 34's expenses primarily relate to instructional services, which account for 81% of the total expenses.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Governmental Activities

In fiscal year 2014, revenues and expenses for governmental activities decreased by \$288,745 and \$579,916, respectively. The decrease in revenues and expenses was primarily due to reductions in revenues from grants and a corresponding reduction in grant related expenses.

Business-Type Activities

In fiscal year 2014, revenues for business-type activities increased by \$20,371 while expenses increased by \$205,151. The increase in revenues was primarily due to increase in workshop revenues. The increase in expenses was primarily due to increased salaries and benefits.

INDIVIDUAL FUND ANALYSIS

As previously noted, Lake County Regional Office of Education No. 34 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As Lake County Regional Office of Education No. 34 completed the year, its governmental funds reported a combined fund balance of \$2,947,398, above last year's ending fund balance of \$2,673,385.

Governmental Fund Highlights

The General Fund's fund balance decreased from \$1,163,510 in 2013 to \$1,084,060 in 2014. The main reason for the decrease is due to a transfer of the General Fund's local funding sources to the Regional Safe School Program which incurs expenditures in excess of grant and tuition revenue.

The Institute Fund's fund balance increased from \$523,317 in 2013 to \$569,653 in 2014. The main reason for the increase is due to increase in teacher registration revenues.

The Education Fund's fund balance increased from \$832,745 in 2013 to \$1,073,869 in 2014. The main reason for the increase is due to increased revenue from grants and tuition.

The Nonmajor Special Revenue Funds' fund balance increased from \$153,813 in 2013 to \$219,816 in 2014. The main reason for the increase is due to decreased expenditures in salaries, benefits, and purchased services.

Proprietary Fund Highlights

Total proprietary fund net position decreased by \$225,195. The decrease was a result of increased salary and benefit expenditures in the ESD.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Fiduciary Fund Highlights

The fiduciary fund balance increased slightly from \$1,280 in fiscal year 2013 to \$1,989 in fiscal year 2014.

BUDGETARY HIGHLIGHTS

Lake County Regional Office of Education 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 Lake County Regional Office of Education No. 34 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency.

CAPITAL ASSETS AND LONG-TERM DEBT

Lake County Regional Office of Education No. 34's capital assets include office equipment, computers, audio-visual equipment, and office furniture. The Lake County Regional Office of Education No. 34 maintains an inventory of capital assets which have accumulated over time. For fiscal year 2014, additions amounted to \$90,863 and retirements amounted to \$102,881. The depreciation expense and disposition losses for fiscal year 2014 amounted to \$25,962. Additional information on Lake County Regional Office of Education No. 34's capital assets can be found in Note 3 on pages 59-60 of this report.

Lake County Regional Office of Education No. 34 has entered into a lease agreement as lessee for financing the acquisition of a copier. The present value of minimum lease payments at June 30, 2014 was \$72,437. Additional information on Lake County Regional Office of Education No. 34's leases can be found in Note 4 on page 60 of this report.

ECONOMIC FACTORS BEARING ON LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34'S FUTURE

At the time these financial statements were prepared and audited, Lake County Regional Office of Education No. 34 was aware of several existing circumstances that could significantly affect its financial health in the future:

The potential of reduced or eliminated funding from county, state and/or federal funding sources.

The increased cost of providing services (e.g. labor, facilities, supplies).

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

**CONTACTING LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34'S FINANCIAL
MANAGEMENT**

This financial report is designed to provide Lake County Regional Office of Education No. 34's citizens, taxpayers, clients, and other constituents with a general overview of Lake County Regional Office of Education No. 34's finances and to demonstrate Lake County Regional Office of Education No. 34's accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact Lake County Regional Office of Education No. 34, 800 Lancer Lane, Suite E-128, Grayslake, Illinois 60030.

BASIC FINANCIAL STATEMENTS

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,599,692	\$ 132,450	\$ 2,732,142
Investments	213,251	-	213,251
Accounts receivable	1,464	-	1,464
Prepays	11,428	15,866	27,294
Due from other governments	404,155	3,820	407,975
Total current assets	<u>3,229,990</u>	<u>152,136</u>	<u>3,382,126</u>
Non-current assets:			
Capital assets being depreciated, net	87,146	6,805	93,951
Total assets	<u>3,317,136</u>	<u>158,941</u>	<u>3,476,077</u>
DEFERRED OUTFLOWS OF RESOURCES			
None	-	-	-
LIABILITIES			
Current liabilities:			
Accounts payable	142	-	142
Accrued expenses	55,609	12,441	68,050
Accrued compensated absences	31,414	-	31,414
Due to other funds	(570,190)	570,190	-
Due to other governments	444,981	-	444,981
Unearned revenue	45,815	-	45,815
Leases payable	14,289	-	14,289
Total current liabilities	<u>22,060</u>	<u>582,631</u>	<u>604,691</u>
Non-current liabilities:			
Leases payable	58,148	-	58,148
Net OPEB obligations	124,000	-	124,000
Total non-current liabilities	<u>182,148</u>	<u>-</u>	<u>182,148</u>
Total liabilities	<u>204,208</u>	<u>582,631</u>	<u>786,839</u>
DEFERRED INFLOWS OF RESOURCES			
None	-	-	-
NET POSITION			
Net investment in capital assets	14,709	6,805	21,514
Unrestricted	928,646	(430,495)	498,151
Restricted for educational purposes	2,169,573	-	2,169,573
Total net position	<u>\$ 3,112,928</u>	<u>\$ (423,690)</u>	<u>\$ 2,689,238</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

EXHIBIT B

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	<u>Expenses</u>	Primary Government		Primary Government		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Primary government:						
Governmental activities:						
Instructional services:						
Salaries	\$ 907,746	\$ 62,108	\$ 613,136	\$ (232,502)	\$ -	\$ (232,502)
Employee benefits	296,575	21,921	190,283	(84,371)	-	(84,371)
Purchased services	516,932	98,643	274,854	(143,435)	-	(143,435)
Supplies and materials	64,200	14,614	42,285	(7,301)	-	(7,301)
Payments to other governments	2,464,289	160,751	993,703	(1,309,835)	-	(1,309,835)
Other objects	7,134	7,307	-	173	-	173
Depreciation and disposition losses	25,217	-	-	(25,217)	-	(25,217)
Capital outlay	5,445	-	-	(5,445)	-	(5,445)
Administrative:						
On-behalf payments	<u>1,264,787</u>	<u>-</u>	<u>-</u>	<u>(1,264,787)</u>	<u>-</u>	<u>(1,264,787)</u>
Total governmental activities	<u>5,552,325</u>	<u>365,344</u>	<u>2,114,261</u>	<u>(3,072,720)</u>	<u>-</u>	<u>(3,072,720)</u>
Business-type activities:						
Professional development	<u>481,943</u>	<u>256,748</u>	<u>-</u>	<u>-</u>	<u>(225,195)</u>	<u>(225,195)</u>
Total primary government	<u>\$ 6,034,268</u>	<u>\$ 622,092</u>	<u>\$ 2,114,261</u>	<u>(3,072,720)</u>	<u>(225,195)</u>	<u>(3,297,915)</u>
General revenues:						
Local sources:						
Intergovernmental				255,092	-	255,092
Interest income				529	-	529
State sources				1,836,354	-	1,836,354
On-behalf payments				<u>1,264,787</u>	<u>-</u>	<u>1,264,787</u>
Total general revenues				<u>3,356,762</u>	<u>-</u>	<u>3,356,762</u>
CHANGES IN NET POSITION				284,042	(225,195)	58,847
NET POSITION, BEGINNING OF YEAR				<u>2,828,886</u>	<u>(198,495)</u>	<u>2,630,391</u>
NET POSITION, END OF YEAR				<u>\$ 3,112,928</u>	<u>\$ (423,690)</u>	<u>\$ 2,689,238</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue				
General Fund	Institute Fund	Education Fund	Other Nonmajor Funds	Total Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 423,889	\$ 458,832	\$ 1,481,972	\$ 234,999	\$ 2,599,692
Investments	100,000	113,251	-	-	213,251
Accounts receivable	1,464	-	-	-	1,464
Due from other funds	625,813	-	-	26,590	652,403
Prepays	-	-	11,428	-	11,428
Due from other governments	10,900	-	381,441	11,814	404,155
Total assets	1,162,066	572,083	1,874,841	273,403	3,882,393
DEFERRED OUTFLOWS OF RESOURCES					
None	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
	\$ 1,162,066	\$ 572,083	\$ 1,874,841	\$ 273,403	\$ 3,882,393
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 142	\$ 142
Accrued expenses	34,735	2,430	17,397	1,047	55,609
Due to other funds	-	-	32,359	49,854	82,213
Due to other governments	-	-	444,981	-	444,981
Unearned revenue	43,271	-	-	2,544	45,815
Total liabilities	78,006	2,430	494,737	53,587	628,760
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	306,235	-	306,235
FUND BALANCE					
Nonspendable	-	-	11,428	-	11,428
Restricted	-	569,653	1,222,168	257,856	2,049,677
Assigned	64,593	-	-	-	64,593
Unassigned	1,019,467	-	(159,727)	(38,040)	821,700
Total fund balance	1,084,060	569,653	1,073,869	219,816	2,947,398
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
	\$ 1,162,066	\$ 572,083	\$ 1,874,841	\$ 273,403	\$ 3,882,393

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014**

Total fund balance of governmental funds (page 36)	\$ 2,947,398
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	87,146
Receivables not collected within 60 days of year end are not available soon enough to pay for the current period's expenditures and, therefore, are considered unavailable revenue in the funds.	306,235
Capital lease obligations are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(72,437)
Compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(31,414)
OPEB obligation resulting from annual required contributions in excess of actual contributions are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(124,000)</u>
Net position of governmental activities (page 34)	<u>\$ 3,112,928</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>Special Revenue</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Institute Fund</u>	<u>Education Fund</u>	<u>Other Nonmajor Funds</u>	
REVENUES:					
Federal sources	\$ -	\$ -	\$ 117,343	\$ 11,088	\$ 128,431
State sources	1,836,354	-	1,405,707	49,764	3,291,825
Local sources:					
Intergovernmental	255,092	1,178	484,635	26,604	767,509
Fees for services	-	204,416	-	160,928	365,344
Interest income	-	275	-	254	529
On-behalf payments	<u>1,264,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,264,787</u>
Total revenues	<u>3,356,233</u>	<u>205,869</u>	<u>2,007,685</u>	<u>248,638</u>	<u>5,818,425</u>
EXPENDITURES:					
Instructional services:					
Salaries	252,165	28,370	584,343	42,868	907,746
Employee benefits	87,065	13,035	169,108	22,546	291,754
Purchased services	170,937	17,267	241,938	86,790	516,932
Supplies and materials	10,387	3,679	18,101	32,033	64,200
Payments to other governments	1,361,792	95,966	1,002,466	4,065	2,464,289
Other objects	1,125	1,216	-	2,275	4,616
On-behalf payments	1,264,787	-	-	-	1,264,787
Capital outlay	<u>84,527</u>	<u>-</u>	<u>4,281</u>	<u>-</u>	<u>88,808</u>
Total expenditures	<u>3,232,785</u>	<u>159,533</u>	<u>2,020,237</u>	<u>190,577</u>	<u>5,603,132</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>123,448</u>	<u>46,336</u>	<u>(12,552)</u>	<u>58,061</u>	<u>215,293</u>
OTHER FINANCING SOURCES (USES):					
Transfer in	-	-	253,676	8,500	262,176
Transfer out	(261,618)	-	-	(558)	(262,176)
Proceeds from long-term lease payable	78,163	-	-	-	78,163
Repayment of long-term lease payable	(16,925)	-	-	-	(16,925)
Interest expense	<u>(2,518)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,518)</u>
Total other financing sources (uses)	<u>(202,898)</u>	<u>-</u>	<u>253,676</u>	<u>7,942</u>	<u>58,720</u>
NET CHANGE IN FUND BALANCE	(79,450)	46,336	241,124	66,003	274,013
FUND BALANCE, BEGINNING OF YEAR	<u>1,163,510</u>	<u>523,317</u>	<u>832,745</u>	<u>153,813</u>	<u>2,673,385</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,084,060</u>	<u>\$ 569,653</u>	<u>\$ 1,073,869</u>	<u>\$ 219,816</u>	<u>\$ 2,947,398</u>

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014**

Net change in fund balance (page 38) **\$ 274,013**

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

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

Capital outlay	\$ 83,363	
Depreciation and disposition losses	<u>(25,217)</u>	58,146

Some receivables will not be collected for several months
after fiscal year end, so they are not considered as
"available" revenues in the governmental funds, and
they are instead counted as deferred inflows of resources.
They are, however, recorded as revenues in the Statement
of Activities.

Fiscal year 2013 unavailable revenue recognized in fiscal year 2014	(288,293)	
Fiscal year 2014 unavailable revenue	<u>306,235</u>	17,942

Some capital additions were financed through capital leases.
In governmental funds, a capital lease arrangement is
considered a source of financing but in the Statement of
Net Position, the obligation is reported as a liability. (78,163)

Repayment of long-term capital lease obligations are reported
as expenditures in the governmental funds, but the
repayment reduces long-term liabilities in the Statement
of Net Position. 16,925

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

Decrease in compensated absences	9,179	
Increase in OPEB expense	<u>(14,000)</u>	<u>(4,821)</u>

Change in net position of governmental activities (page 35) **\$ 284,042**

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

Business-Type Activities - Enterprise Funds

	Education Services Division	Nonmajor Enterprise Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 132,450	\$ 132,450
Prepays	-	15,866	15,866
Due from other governments	<u>3,540</u>	<u>280</u>	<u>3,820</u>
Total current assets	3,540	148,596	152,136
Non-current assets:			
Capital assets being depreciated, net	<u>-</u>	<u>6,805</u>	<u>6,805</u>
Total assets	<u>3,540</u>	<u>155,401</u>	<u>158,941</u>
DEFERRED OUTFLOWS OF RESOURCES			
None	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Accrued expenses	12,441	-	12,441
Due to other funds	<u>570,190</u>	<u>-</u>	<u>570,190</u>
Total liabilities	<u>582,631</u>	<u>-</u>	<u>582,631</u>
DEFERRED INFLOWS OF RESOURCES			
None	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	-	6,805	6,805
Unrestricted	<u>(579,091)</u>	<u>148,596</u>	<u>(430,495)</u>
Total net position	<u>\$ (579,091)</u>	<u>\$ 155,401</u>	<u>\$ (423,690)</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

Business-Type Activities - Enterprise Funds

	Education Services Division	Nonmajor Enterprise Funds	Total
OPERATING REVENUES:			
Fees for services	\$ 218,433	\$ 38,315	\$ 256,748
OPERATING EXPENSES:			
Salaries	272,542	1,350	273,892
Employee benefits	76,556	-	76,556
Purchased services	65,282	18,356	83,638
Supplies and materials	41,332	2,640	43,972
Other objects	730	70	800
Capital outlay	-	2,340	2,340
Depreciation	-	745	745
Total operating expenses	<u>456,442</u>	<u>25,501</u>	<u>481,943</u>
CHANGES IN NET POSITION	(238,009)	12,814	(225,195)
NET POSITION, BEGINNING OF YEAR	<u>(341,082)</u>	<u>142,587</u>	<u>(198,495)</u>
NET POSITION, END OF YEAR	<u>\$ (579,091)</u>	<u>\$ 155,401</u>	<u>\$ (423,690)</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Education Services Division</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from workshops and services	\$ 230,843	\$ 38,585	\$ 269,428
Payments to suppliers and providers of goods and services	(123,131)	(25,050)	(148,181)
Payments to employees	<u>(349,098)</u>	<u>(1,350)</u>	<u>(350,448)</u>
Net cash provided by (used in) operating activities	<u>(241,386)</u>	<u>12,185</u>	<u>(229,201)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interfund loans	<u>241,386</u>	<u>-</u>	<u>241,386</u>
Net cash provided by noncapital financing activities	<u>241,386</u>	<u>-</u>	<u>241,386</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Purchase of capital assets	<u>-</u>	<u>(7,500)</u>	<u>(7,500)</u>
Net cash used in capital financing activities	<u>-</u>	<u>(7,500)</u>	<u>(7,500)</u>
CHANGES IN CASH AND CASH EQUIVALENTS	-	4,685	4,685
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>	<u>127,765</u>	<u>127,765</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ 132,450</u>	<u>\$ 132,450</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (238,009)	\$ 12,814	\$ (225,195)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	-	745	745
Change in assets and liabilities:			
Accounts receivable	-	200	200
Prepays	-	(1,644)	(1,644)
Due from other governments	12,410	70	12,480
Accounts payable	(94)	-	(94)
Accrued expenses	(7,481)	-	(7,481)
Due to other governments	<u>(8,212)</u>	<u>-</u>	<u>(8,212)</u>
Net cash provided by (used in) operating activities	<u>\$ (241,386)</u>	<u>\$ 12,185</u>	<u>\$ (229,201)</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
6/30/2014

	Agency Fund
ASSETS	
Cash and cash equivalents	<u>\$ 1,989</u>
LIABILITIES	
Due to other governments	<u>\$ 1,989</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Lake County Regional Office of Education No. 34 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 No. 34 operates under the School Code (105 ILCS 5/3 and 5/3A). Lake County Regional Office of Education No. 34 encompasses all of 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.

Criteria Used to Determine the Scope of the Entity

The Office of the Regional Superintendent of Schools is elected by popular vote. By Illinois State Statues, 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 Lake County Regional Office of Education No. 34 has developed criteria to determine whether outside agencies with activities which benefit the citizens served by the 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 Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Lake County Regional Office of Education No. 34 to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Lake County Regional Office of Education No. 34.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 supported 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 responsibility of Educational Services Center No. 2 (ESC No. 2) of Lake County. The former ESC No. 2 is now the Educational Services Division of Lake County Regional Office of Education 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 Attendance and Truancy Division (ATD) 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 ATD. ATD, 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 ATD 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 provides site coordination via a contracted consultant.

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.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Regional Board of 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.

Basis of Presentation

Government-wide Financial Statements - The government-wide financial statements (i.e. Statement of Net Position 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 Regional Office of Education that are governmental in nature and those that are considered business-type activities. *Governmental activities* normally are supported by operating grants and contributions, charges for services and intergovernmental revenues. *Business-type activities* normally are supported by amounts assessed or received from local sources for the Regional Office of Education programs.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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, contributions and interest restricted to meeting the operational requirements or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues received more than 60 days after the end of the current period are considered unavailable revenue and are shown as deferred inflows of resources in the governmental fund financial statements but are recognized as current revenues in the government-wide financial statements.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Lake County Regional Office of Education No. 34.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of grant agreements, Lake County Regional Office of Education No. 34 funds certain programs by a combination of specific cost-reimbursement grant resources to such programs, and then general revenues. It is the Regional Office of Education No. 34's policy to first apply restricted funds, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned, if any.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Lake County Regional Office of Education No. 34's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Lake County Regional Office of Education No. 34 maintains its financial records on the cash basis. The financial statements of Lake County Regional Office of Education No. 34 are prepared by making memorandum adjusting entries to the cash basis financial records.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The accounts of 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, revenues, and expenditures. 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:

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

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

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.

Attendance and Truancy Division (ATD) - 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 - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects. Major special revenue funds include the following:

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Institute - Used 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 meeting of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the expenses 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.

Education Fund - Used to account for the State and federal grants and contracts administered by the Regional Office of Education. The education funds are as follows:

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.

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

Teacher Mentoring Program - Used to account for grant money received and the expenditures incurred to support the statewide new teacher mentoring program that includes assigning a mentor teacher to each new teacher for a period of at least two years and providing professional development designed to ensure the growth of the new teachers' knowledge and skills.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principal Mentoring Program - Used to account for monies from the Illinois Principals Association for expenditures incurred to ensure that every new principal in the region receives high-quality mentoring experience from trained mentors.

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

EFAST Pilot Program - Used to account for monies received from the State for expenditures in support of regional mathematics curriculum development activities.

Title II - Teacher Quality Leadership - Used to account for grant monies received for, and payment of, expenditures incurred in providing teacher and principal evaluation training to educators.

Workforce Development - Used to account for monies received from the Workforce Development Department of Lake County in support of youth program services.

Soaring with SAVE - Used to account for grant monies received for, and payment of, expenditures incurred in the Soaring with SAVE after school program. The after school program includes academic tutoring, violence prevention, and enrichment support services to an identified population of middle school students at-risk of academic failure.

Nonmajor Special Revenue Funds - The Regional Office of Education reported the following special revenue funds as nonmajor governmental funds:

Educational Services Division - Used 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.

General Education Development - Used to account for the revenues 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.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Regional Board of School Trustees - Used to account 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.

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

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

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

Learning Technology Center - Used 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.

Attendance and Truancy Division (ATD) - Used to account for the revenues and expenditures of reducing student truancy and the prevention of students from dropping out of school.

Proprietary Fund Types

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

Education Services Division - Used to account for the fees received and expenditures incurred providing a variety of in service training workshops and conferences.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Attendance and Truancy Division (ATD) - Used to account for the fees received and expenditures incurred providing workshops and conferences to prevent students from dropping out of school.

Fingerprinting Assessment - Used to account for the assessments received from the school districts to pay for the processing of fingerprinting the substitute teachers and expenditures incurred for providing this service to the school districts.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held in a trustee capacity or as an agent for individuals or private or governmental organizations. The Lake County Regional Office of Education No. 34 has one fiduciary fund:

Distributive Fund - 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.

Assets, Liabilities and Deferred Inflows of Resources

The following accounting policies are followed in preparing the balance sheet:

Cash and investments - The cash and investment balances of Lake County Regional Office of Education No. 34 are valued at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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 Lake County Regional Office of Education No. 34 to make deposits or invest in obligation of states and their political subdivisions, saving 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.

Due from other governments - Due from other governments represents amounts due from the Illinois State Board of Education, other agencies, and districts.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets - Capital assets result from expenditures in the governmental and proprietary funds. These assets are reported in the governmental and business-type activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements in the governmental funds. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Lake County Regional Office of Education No. 34 capitalizes items costing \$5,000 or more. Depreciation is calculated on a straight-line basis over the estimated useful lives (three to seven years) of the respective assets.

Lake County Regional Office of Education No. 34 reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Unearned revenue - Lake County Regional Office of Education No. 34 reports unearned revenue when proceeds have been received but will be earned or spent in a succeeding fiscal year.

Unavailable revenue - although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of receivables not collected within 60 days after fiscal year end.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balance

Fund Balance is the difference between assets, deferred outflows of resource, liabilities and deferred inflows of resources in a Governmental Fund. The following types of fund balances may be presented in the Governmental Funds Balance Sheet and Governmental Funds Combining Schedule of Accounts:

Nonspendable Fund Balance - the portion of a Governmental Fund's net position that are not available to be spent, either short term or long term, in either form or through legal restrictions. The nonspendable fund balance for the Regional Safe Schools is in the form of prepaids.

Restricted Fund Balance - the portion of a Governmental Fund's net position that is subject to external enforceable legal restrictions. The following fund balance accounts are restricted by grant agreements or contracts: Title I - Reading First Part B SEA Funds, McKinney Education for Homeless Children, Juvenile Detention Fund, Principle Mentoring Program, EFAST Pilot Program, Soaring with SAVE, Regional Board of School Trustees, Reading Recovery Installation Fees, Reading Recovery Operations, Distributive Interest, and Attendance and Truancy Division (ATD). The following funds are restricted by Illinois Statute: Institute Fund, General Education Development, and Bus Driver Training.

Committed Fund Balance - the portion of a Governmental Fund's net position with self-imposed constraints or limitations that have been placed at the highest level of decision making. There are no accounts presenting a committed fund balance.

Assigned Fund Balance - the portion of a Governmental Fund's net position to denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. A portion of the General State Aid fund balance and the Attendance and Truancy Division (ATD) represents assigned fund balance.

Unassigned Fund Balance - available expendable financial resources in a governmental fund that are not designated for a specific purpose. The unassigned balance is made up of a portion of General State Aid, Educational Services Division Local Operations, Regional Safe Schools, Truants Alternative/Optional Education, Teacher Mentoring Program, ROE/ISC Operations, Educational Services Division and Learning Technology Center.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position of the Regional Office of Education is classified as follows:

Net Investment in Capital Assets - consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of borrowings that are attributable to the acquisition of those assets.

Restricted Net Position - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted Net Position - the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Interfund Activity

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

Revenue

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 Regional Office of Education 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 Regional Office of Education must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Regional Office of Education on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Charges for services result from exchange or exchange-like transactions, in which customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Teacher certification, license and permit revenues are recognized in the year for which the licenses and permits are issued.

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 the funds of the Regional Office of Education.

Budgetary Data

The Lake County Regional Office of Education No. 34 did not adopt a formal budget nor is it legally required to do so for the year ended June 30, 2014; subsequently, the accompanying financial statements are not presented on a budgetary basis whereby budget and actual revenues and expenditures are compared; however, the Illinois State Board of Education, a granting agent, requires budgets for certain program money. For the year ended June 30, 2014, a budgetary comparison schedule is presented for the following grant funds: Regional Safe Schools, Truants Alternative/Optional Education, McKinney Education for Homeless Children, ROE/ISC Operations, Title II - Teacher Quality Leadership and Learning Technology Center.

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.

Subsequent Events

Management has evaluated subsequent events through April 22, 2015, the date the financial statements were available to be issued.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - CASH AND CASH EQUIVALENTS

The deposit of Lake County Regional Office of Education No. 34 monies is governed by the provisions of the Illinois Compiled Statutes.

Deposits

Lake County Regional Office of Education No. 34 utilizes several different bank accounts for its various activities. The book balance of such accounts is \$2,734,131 at June 30, 2014, while the bank balance was \$3,386,585. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2014. Of the total bank balance as of June 30, 2014, the entire amount was secured by federal depository insurance or collateral held by the pledging institution in the name of the Regional Office of Education.

Investments

Lake County Regional Office of Education No. 34's established investment policy follows the State of Illinois Public Funds Investment Act which authorizes the Regional Office of Education 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.

As of June 30, 2014, the Regional Office of Education had investments with a carrying value of \$213,251 invested in certificates of deposits. Additionally, the Regional Office of Education has \$33,925 invested in Illinois Funds money market included in deposits above.

Credit Risk

At June 30, 2014, the Illinois Funds Money Market Fund had a Standards and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

Interest Rate Risk

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a financial institution, Lake County Regional Office of Education No. 34 will not be able to recover its investments or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2014, the Regional Office of Education's investments are fully collateralized.

Concentration of Credit Risk

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

A reconciliation of cash as shown on the Statement of Net Position for the primary government is as follows:

	<u>Carrying Amount</u>
Cash - Primary Government	\$ 2,732,142
Cash - Agency	<u>1,989</u>
Total	<u>\$ 2,734,131</u>

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Funds:				
Furniture and equipment	\$ 203,069	\$ 83,363	\$ (102,881)	\$ 183,551
Less accumulated depreciation	<u>(158,208)</u>	<u>(24,707)</u>	<u>86,510</u>	<u>(96,405)</u>
Total capital assets, net	<u>\$ 44,861</u>	<u>\$ 58,656</u>	<u>\$ (16,371)</u>	<u>\$ 87,146</u>
Proprietary Funds:				
Furniture and equipment	\$ 18,444	\$ 7,500	\$ -	\$ 25,944
Less accumulated depreciation	<u>(18,394)</u>	<u>(745)</u>	<u>-</u>	<u>(19,139)</u>
Total capital assets, net	<u>\$ 50</u>	<u>\$ 6,755</u>	<u>\$ -</u>	<u>\$ 6,805</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as follows:

Governmental Funds:	
Depreciation	\$ 24,707
Proprietary Funds:	
Depreciation	<u>745</u>
Total depreciation	<u>\$ 25,452</u>

NOTE 4 - CAPITAL LEASES AND RELATING LONG-TERM LIABILITIES

Lake County Regional Office of Education No. 34 has entered into a lease agreement as lessee for financing the acquisition of a copier. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date in the capital assets account. The gross amount of assets recorded under the capital lease is \$78,163 and the accumulated amortization as of June 30, 2014 was \$6,514. The lease includes an end of term purchase option of \$1.

The future minimum lease obligations and the net present value of these lease payments as of June 30, 2014 were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 17,916
2016	17,916
2017	17,916
2018	17,916
2019	<u>10,451</u>
Total minimum lease payments	82,115
Less: amount representing interest	<u>9,678</u>
Present value of minimum lease payments	<u>\$ 72,437</u>

Capital lease long-term liability activity for the year ended June 30, 2014, is as follows:

<u>Capital Lease</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due within One Year</u>
Governmental Funds	<u>\$ 27,060</u>	<u>\$ 78,163</u>	<u>\$ 32,786</u>	<u>\$ 72,437</u>	<u>\$ 14,289</u>

NOTE 5 - OPERATING LEASES

Lake County Regional Office of Education No. 34 is committed under lease agreements for a building facility for its Safe Schools program located in Zion, IL, and classroom space for its Educational Services Division operations located in Grayslake, IL.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 - OPERATING LEASES (CONTINUED)

For fiscal year 2014, the lease for the Safe Schools program required a monthly lease payment of \$11,209 with an option for annual renewal. Total rental expense for this facility for the year ended June 30, 2014 was \$134,508. During fiscal year 2014 this lease was renewed for fiscal year 2015. The new lease agreement requires monthly lease payments of \$11,428 with an option for annual renewal. Future minimum lease payments under the lease total \$137,136 for fiscal year 2015.

For fiscal year 2014, the lease agreement for the Educational Services Division required quarterly lease payments of \$12,686 with an option for annual renewal. Total rental expense for the year ended June 30, 2014, was \$50,744. During fiscal year 2014 this lease was renewed for fiscal year 2015. The new lease agreement requires quarterly lease payments of \$8,281 with an option for annual renewal. Future minimum lease payments under the lease total \$33,124 for fiscal year 2015.

NOTE 6 - EMPLOYEE BENEFIT PLAN

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 7 - ON-BEHALF PAYMENTS

The salaries and fringe benefits of the Regional Superintendent and the Assistant Regional Superintendent are paid by the State of Illinois. A significant portion of the operating expenditures of Lake County Regional Office of Education No. 34 are paid by Lake County, Illinois, in accordance with the statutes.

The breakdown of State and County on-behalf payments for the year ended June 30, 2014 is as follows:

Regional Superintendent - salary	\$ 109,464
Regional Superintendent - benefits (includes state paid insurance)	23,959
Assistant Regional Superintendent - salary	98,544
Assistant Regional Superintendent - benefits (includes state paid insurance)	32,139
TRS on-behalf payments	244,156
THIS on-behalf payments	4,671
Salaries of office workers paid by Lake County	476,238
Lake County's share in health insurance contributions	111,780
Lake County's share in retirement contributions	47,948
Other administrative expenses	115,888
Total on-behalf payments	<u>\$ 1,264,787</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 - ON-BEHALF PAYMENTS (CONTINUED)

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

NOTE 8 - RETIREMENT PLANS

Teachers' Retirement System of the State of Illinois

The Regional Office of Education No. 34 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 funding the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The active member contribution rate for the year ended June 30, 2014, was 9.4 percent of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2013 and 2012.

The state of Illinois makes contributions directly to TRS on behalf of the employer's TRS-covered employees.

- **On-behalf Contributions to TRS.** The state of Illinois makes employer pension contributions on behalf of the Regional Office of Education No. 34. For the year ended June 30, 2014, state of Illinois contributions were based on 35.41 percent of creditable earnings not paid from federal funds, and the Regional Office of Education No. 34 recognized revenue and expenditures of \$244,156 in pension contributions that the state of Illinois paid directly to TRS. For the years ended June 30, 2013 and June 30, 2012, contribution rates were 28.05 percent (\$197,754) and 24.91 percent (\$206,169), respectively.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 - RETIREMENT PLANS (CONTINUED)

The 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 total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2014 were \$2,793. Contributions for the years ending June 30, 2013 and June 30, 2012, were \$2,903 and \$3,648, respectively.
- **Federal and Special Trust Fund Contributions.** When TRS members are paid from federal and special trust funds administered by the Regional Office of Education No. 34, there is a statutory requirement for the 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 has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2014, the employer pension contribution was 35.41 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2013 and 2012, the employer contribution was 28.05 and 24.91 percent, respectively. For the year ended June 30, 2014, salaries totaling \$459 were paid from federal and special trust funds that required employer contributions of \$162. For the years ended June 30, 2013 and June 30, 2012, required employer contributions were \$64,568 and \$81,684, respectively.

- **Early Retirement Option (ERO).** The 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.

The maximum employer ERO contribution under the current program is 146.5 percent and applies when the member is age 55 at retirement.

For the years ended June 30, 2014, June 30, 2013 and June 30, 2012, the Regional Office of Education No. 34 paid no employer contributions under the ERO program.

- **Salary increases over 6 percent and excess sick leave.** If an employer grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases of up to 6 percent.

For the years ended June 30, 2014, June 30, 2013, and June 30, 2012, the Regional Office of Education No. 34 did not make any contributions to TRS for salary increases in excess of 6 percent.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 - RETIREMENT PLANS (CONTINUED)

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary rate reported by the granting employer during the four-year sick leave review period, and the TRS total normal cost rate (17.29 percent of salary during the year ended June 30, 2014).

For the years ended June 30, 2014, June 30, 2013, and June 30, 2012, the Regional Office of Education No. 34 did not make any employer contributions to TRS for sick leave days granted in excess of the normal annual allotment.

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2013. The report for the year ended June 30, 2014, is expected to be available in late 2014.

The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, 2815 West Washington Street, P.O. Box 19253, Springfield, IL 62794-9253. The most current report is also available on the TRS Website at <http://trs.illinois.gov>.

Illinois Municipal Retirement Fund

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by State Statute. The Regional Office of Education No. 34 is required to contribute at an actuarially determined rate. The Regional Office of Education No. 34 reimburses Lake County for the contributions made for the participating employees.

Retirement Fund

A number of employees of the Regional Office of Education No. 34 are paid by, and considered employees of, Lake County. As such, related retirement obligations associated with these employees are the responsibility of county government and are included in the total county on-behalf payments.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description. Lake County Regional Office of Education No. 34 provides postemployment medical benefits to eligible retirees, spouses and survivors through the Lake County Group Health Insurance Plan, a single-employer, self-insured health care plan. The benefit levels, employee contributions, and employer contributions are governed and can be amended by the Lake County Board.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided. Employees who terminate after meeting the age and service requirements for retirement are eligible to continue their medical care plan coverage with Lake County by paying the monthly premium rate. The benefit levels are the same as those afforded to active employees. The benefits include general outpatient and inpatient medical services and prescriptions. Because the actuarial cost of health benefits for retirees exceeds the average amount paid by retirees, the additional cost is paid by Lake County and is the basis for the OPEB obligation accounted for under GASB Statement No. 45.

Membership. At June 30, 2014, membership consisted of twenty-two active participants and six retired participants.

Funding Policy. GASB Statement No. 45 requires recognition of the current expense of OPEB based on each governing body's annual required contribution, but does not require funding of the related liability. As of June 30, 2014, Lake County Regional Office of Education has chosen not to fund the liability.

Annual OPEB Cost and Net OPEB Obligation. Lake County Regional Office of Education No. 34's annual OPEB cost is calculated based on the annual required contribution, an amount actuarially determined in accordance with GASB Statement No. 45. The annual required contribution represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Components of Net OPEB Obligation and Expense

<u>Item</u>	<u>Amount as of June 30, 2014</u>
Annual required contribution	\$ 20,000
Interest on net OPEB obligation	4,000
Adjustment to annual required contribution	<u>(4,000)</u>
Annual OPEB cost	20,000
Contributions made	<u>(6,000)</u>
Increase in net OPEB obligation	14,000
Net OPEB obligation - beginning of year	<u>110,000</u>
Net OPEB obligation - end of year	<u>\$ 124,000</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Schedule of Contributions, OPEB Costs and Net Obligations

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/12	\$ 32,000	0%	\$ 96,000
06/30/13	20,000	30%	110,000
06/30/14	20,000	30%	124,000

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$145,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability of \$145,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,100,000 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.2%.

Actuarial Method and Assumption. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarial determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation for the fiscal year ended June 30, 2014, the projected unit credit cost method was used. The actuarial assumptions include a discount (interest) rate of 4.0% as well as a salary inflation rate of 3.0% per year. The projected annual healthcare trend rate is 7.5%. The ultimate healthcare trend rate is 4.5%. The healthcare trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RPU-2000, Scale AA, Fully Generational table. Annual retirement and termination probabilities were determined based on County experience.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll expense on an open basis over thirty years.

Teachers Health Insurance Security Fund

The Regional Office of Education No. 34 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Beginning February 1, 2014, annuitants who were enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage plans.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to the THIS Fund.

The percentage of employer required contributions in the future will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

- **On-behalf Contributions to the THIS Fund.** The state of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education No. 34. State contributions are intended to match contributions to the THIS Fund from active members which were 0.97 percent of pay during the year ended June 30, 2014. State of Illinois contributions were \$4,671, and the Regional Office of Education No. 34 recognized revenue and expenditures of this amount during the year. State contributions intended to match active member contributions during the years ended June 30, 2013 and June 30, 2012 were 0.92 and 0.88 percent of pay, respectively. State contributions on behalf of employees were \$4,604 and \$5,534, respectively.
- **Employer Contributions to the THIS Fund.** The Regional Office of Education No. 34 also makes contributions to the THIS Fund. The Regional Office of Education No. 34's THIS Fund contribution was 0.72 percent during the year ended June 30, 2014 and 0.69 and 0.66 percent during the years ended June 30, 2013 and June 30, 2012, respectively. For the year ended June 30, 2014, the Regional Office of Education No. 34 paid \$3,467 to the THIS Fund. For the years ended June 30, 2013 and June 30, 2012, the Regional Office of Education No. 34 paid \$3,453 and \$4,151, respectively, which was 100 percent of the required contribution.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

NOTE 10 - COMPENSATED ABSENCES

Under terms of employment, employees are granted general and sick leave in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested general and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Upon the termination of an employee eligible to use general leave, all accumulated leave credit will be paid as of the date of termination up to a maximum of 330 hours. Effective July 1, 2010 the Regional Office of Education amended their policy for general leave accrual and carryover as it applies to grant-funded employees. Any grant-funded employees hired after the effective date will be allowed to accrue general leave according to county policy during the Regional Office of Education's fiscal year. These hours must be used by August 31 following that fiscal year. Any unused general leave not used by August 31 following a fiscal year will be lost and not paid out upon subsequent termination. Any grant-funded employees hired before the effective date will not lose their carryover balance as of June 30, 2010 to a maximum of 330 hours. However, at August 31 following a Regional Office's fiscal year the grant-funded employees' carryover balance cannot exceed their carryover balance as of the beginning of the fiscal year. Any unused general leave earned during a fiscal year starting July 1, 2010 not used by August 31 following that fiscal year end will be lost and not paid out upon subsequent termination. Employees will not be able to carryover additional general leave that they earned starting on July 1, 2010; the only carryover allowed is their balance as of June 30, 2010 that has not been used subsequent to that date. The allowed carryover will be paid as of the date of termination.

Eligible employees who terminate and are in good standing may receive payment for 50% of their accumulated sick leave bank in excess of 30 days to a maximum of 60 days. Reimbursements are paid at the employee's then current pay rate. Under certain conditions, a retiring, vested employee can receive up to a maximum of one year of pension service credit for accumulated, unused, unpaid sick leave.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 - COMPENSATED ABSENCES (CONTINUED)

Eligible employees with at least 30 unused sick leave days in their sick bank may elect to receive cash reimbursement for sick leave days that they accrued during the current fiscal year, less any sick leave days taken that year, at 50% value. This reimbursement option is only offered to employees once a year, usually at the end of the fiscal year. Lake County Regional Office of Education No. 34 records accrued sick leave for amounts payable to employees who elected to be paid for sick days that accumulated during the current year. Accrued sick leave reimbursement amounted to \$0 as of June 30, 2014 and June 30, 2013, respectively. Lake County Regional Office of Education No. 34 suspended the sick leave day reimbursement option in fiscal year 2010 as part of its cost saving programs.

Compensated absences activity as of June 30, 2014, is as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Compensated Absences	<u>\$40,593</u>	<u>\$30,236</u>	<u>\$39,415</u>	<u>\$31,414</u>

NOTE 11 - 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.

NOTE 12 - DUE FROM/TO OTHER GOVERNMENTS

The Lake County Regional Office of Education No. 34 has funds due from/to various other governmental units which consist of the following:

Due From Other Governments:	
General Fund	
Other local governments	\$ 10,900
Education Fund	
Illinois State Board of Education	56,197
Other local governments	325,244
Nonmajor Special Revenue Funds	
Other local governments	11,814
Education Services Division	
Other local governments	3,540
Nonmajor Proprietary Funds	
Other local governments	<u>280</u>
Total	<u>\$ 407,975</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 12 - DUE FROM/TO OTHER GOVERNMENTS (CONTINUED)

Due To Other Governments:		
Education Fund		
Other local governments	\$	444,981
Agency Funds		
Other local governments		<u>1,989</u>
Total		<u>\$ 446,970</u>

NOTE 13 - DUE FROM/TO FUNDS

Interfund receivables and payables, primarily made to cover cash deficits within pooled cash accounts, at June 30, 2014 were:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund		
Educational Services Division Local Operations	\$ 625,813	\$ -
Education Fund		
Truants Alternative/Optional Education	-	26,590
Teacher Mentoring Program	-	242
ROE/ISC Operations	-	627
Title II - Teacher Quality Leadership	-	4,900
Nonmajor Special Revenue Funds		
Educational Services Division	-	34,951
Learning Technology Center	-	14,903
Attendance and Truancy Division (ATD)	26,590	-
Proprietary Funds		
Education Services Division	<u>-</u>	<u>570,190</u>
Total	<u>\$ 652,403</u>	<u>\$ 652,403</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 14 - TRANSFERS

Transfers are generally made to provide supplemental funding or move resources from the fund required to collect the resources to the fund required to expend the resources. The following is the detail of interfund transfers as of June 30, 2014:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		
General State Aid	\$ -	\$ 261,618
Education Fund		
Regional Safe Schools	253,118	-
Workforce Development	558	-
Nonmajor Special Revenue Funds		
Distributive Interest	1,500	-
Attendance and Truancy Division (ATD)	7,000	558
Total	<u>\$ 262,176</u>	<u>\$ 262,176</u>

NOTE 15 - DEFICIT FUND BALANCES

The following funds had deficit fund balances/net position at June 30, 2014:

Education Fund	
Regional Safe Schools	\$ (125,033)
Truants Alternative/Optional Education	(17,801)
Teacher Mentoring Program	(242)
ROE/ISC Operations	(5,223)
Nonmajor Special Revenue Fund	
Educational Services Division	(34,076)
Learning Technology Center	(3,964)
Education Services Division	(579,091)

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

NOTE 16 - RISK MANAGEMENT

Lake County Regional Office of Education No. 34 is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. Lake County Regional Office of Education No. 34 assumes liability for any deductibles and claims in excess of coverage limitations. There has been no significant reduction in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the year.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 17 - NEW PRONOUNCEMENTS

In 2014, Lake County Regional Office of Education No. 34 implemented Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*; GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. These statements had no impact on the financial statements for the Lake County Regional Office of Education No. 34. The Lake County Regional Office of Education No. 34 also implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This clarified GASB Statement No. 63's presentation of deferred inflows and outflows of resources.

NOTE 18 - PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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

REQUIRED SUPPLEMENTARY INFORMATION
(Other than Management's Discussion and Analysis)

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FUNDING PROGRESS -
OTHER POSTEMPLOYMENT BENEFITS
(Unaudited)
June 30, 2014

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2014	7/1/12	\$ -	\$ 145,000	\$ 145,000	0%	\$ 1,100,000	13.2%
2013	7/1/12	-	145,000	145,000	0%	1,201,000	12.1%
2012	6/30/10	-	271,000	271,000	0%	1,154,500	23.5%

SUPPLEMENTARY INFORMATION

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND ACCOUNTS
June 30, 2014**

	<u>General State Aid</u>	<u>Educational Services Division Local Operations</u>	<u>Attendance and Truancy Division (ATD)</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 146,847	\$ 271,895	\$ 5,147	\$ 423,889
Investments	100,000	-	-	100,000
Accounts receivable	-	1,464	-	1,464
Due from other funds	-	625,813	-	625,813
Due from other governments	-	10,900	-	10,900
Total assets	246,847	910,072	5,147	1,162,066
DEFERRED OUTFLOWS OF RESOURCES				
None	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 246,847	\$ 910,072	\$ 5,147	\$ 1,162,066
LIABILITIES				
Accrued expenses	\$ 24,432	\$ 10,303	\$ -	\$ 34,735
Unearned revenue	-	43,271	-	43,271
Total liabilities	24,432	53,574	-	78,006
DEFERRED INFLOWS OF RESOURCES				
None	-	-	-	-
FUND BALANCE				
Assigned	59,446	-	5,147	64,593
Unassigned	162,969	856,498	-	1,019,467
Total fund balance	222,415	856,498	5,147	1,084,060
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 246,847	\$ 910,072	\$ 5,147	\$ 1,162,066

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
Year Ended June 30, 2014

	<u>General State Aid</u>	<u>Educational Services Division Local Operations</u>	<u>Attendance and Truancy Division (ATD)</u>	<u>Totals</u>
REVENUES:				
State sources	\$ 1,836,354	\$ -	\$ -	\$ 1,836,354
Local sources:				
Intergovernmental	60,000	194,803	289	255,092
On-behalf payments	1,264,787	-	-	1,264,787
Total revenues	<u>3,161,141</u>	<u>194,803</u>	<u>289</u>	<u>3,356,233</u>
EXPENDITURES:				
Instructional services:				
Salaries	197,663	42,373	12,129	252,165
Employee benefits	59,870	8,208	18,987	87,065
Purchased services	101,261	69,430	246	170,937
Supplies and materials	8,616	510	1,261	10,387
Payments to other governments	1,361,792	-	-	1,361,792
Other objects	1,125	-	-	1,125
On-behalf payments	1,264,787	-	-	1,264,787
Capital outlay	6,364	78,163	-	84,527
Total expenditures	<u>3,001,478</u>	<u>198,684</u>	<u>32,623</u>	<u>3,232,785</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>159,663</u>	<u>(3,881)</u>	<u>(32,334)</u>	<u>123,448</u>
OTHER FINANCING SOURCES (USES):				
Transfer out	(261,618)	-	-	(261,618)
Proceeds from long-term lease payable	-	78,163	-	78,163
Repayment of long-term lease payable	-	(16,925)	-	(16,925)
Interest expense	-	(2,518)	-	(2,518)
Total other financing sources (uses)	<u>(261,618)</u>	<u>58,720</u>	<u>-</u>	<u>(202,898)</u>
NET CHANGE IN FUND BALANCE	(101,955)	54,839	(32,334)	(79,450)
FUND BALANCE, BEGINNING OF YEAR	<u>324,370</u>	<u>801,659</u>	<u>37,481</u>	<u>1,163,510</u>
FUND BALANCE, END OF YEAR	<u>\$ 222,415</u>	<u>\$ 856,498</u>	<u>\$ 5,147</u>	<u>\$ 1,084,060</u>

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND ACCOUNTS
 June 30, 2014

SCHEDULE 3

	<u>Title I - Reading First Part B SEA Funds</u>	<u>Regional Safe Schools</u>	<u>Truants Alternative/ Optional Education</u>	<u>McKinney Education for Homeless Children</u>	<u>Juvenile Detention Fund</u>	<u>Teacher Mentoring Program</u>
ASSETS						
Cash and cash equivalents	\$ 663	\$ 105,355	\$ -	\$ 12,491	\$ 1,256,860	\$ -
Prepays	-	11,428	-	-	-	-
Due from other governments	-	29,707	21,590	-	325,244	-
Total assets	663	146,490	21,590	12,491	1,582,104	-
DEFERRED OUTFLOWS OF RESOURCES						
None	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
	\$ 663	\$ 146,490	\$ 21,590	\$ 12,491	\$ 1,582,104	\$ -
LIABILITIES						
Accrued expenses	\$ -	\$ -	\$ 12,801	\$ -	\$ -	\$ -
Due to other funds	-	-	26,590	-	-	242
Due to other governments	-	271,523	-	-	91,126	-
Total liabilities	-	271,523	39,391	-	91,126	242
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	306,235	-
FUND BALANCE (DEFICIT)						
Nonspendable	-	11,428	-	-	-	-
Restricted	663	-	-	12,491	1,184,743	-
Unassigned	-	(136,461)	(17,801)	-	-	(242)
Total fund balance (deficit)	663	(125,033)	(17,801)	12,491	1,184,743	(242)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)						
	\$ 663	\$ 146,490	\$ 21,590	\$ 12,491	\$ 1,582,104	\$ -

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND ACCOUNTS
 June 30, 2014

SCHEDULE 3
 (CONTINUED)

	<u>Principal Mentoring Program</u>	<u>ROE/ISC Operations</u>	<u>EFAST Pilot Program</u>	<u>Title II - Teacher Quality Leadership</u>	<u>Workforce Development</u>	<u>Soaring with SAVE</u>	<u>Totals</u>
ASSETS							
Cash and cash equivalents	\$ 22,290	\$ -	\$ 1,716	\$ -	\$ -	\$ 82,597	\$ 1,481,972
Prepays	-	-	-	-	-	-	11,428
Due from other governments	-	-	-	4,900	-	-	381,441
Total assets	<u>22,290</u>	<u>-</u>	<u>1,716</u>	<u>4,900</u>	<u>-</u>	<u>82,597</u>	<u>1,874,841</u>
DEFERRED OUTFLOWS OF RESOURCES							
None	-	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES							
	<u>\$ 22,290</u>	<u>\$ -</u>	<u>\$ 1,716</u>	<u>\$ 4,900</u>	<u>\$ -</u>	<u>\$ 82,597</u>	<u>\$ 1,874,841</u>
LIABILITIES							
Accrued expenses	\$ -	\$ 4,596	\$ -	\$ -	\$ -	\$ -	\$ 17,397
Due to other funds	-	627	-	4,900	-	-	32,359
Due to other governments	-	-	-	-	-	82,332	444,981
Total liabilities	<u>-</u>	<u>5,223</u>	<u>-</u>	<u>4,900</u>	<u>-</u>	<u>82,332</u>	<u>494,737</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	-	-	-	-	306,235
FUND BALANCE (DEFICIT)							
Nonspendable	-	-	-	-	-	-	11,428
Restricted	22,290	-	1,716	-	-	265	1,222,168
Unassigned	-	(5,223)	-	-	-	-	(159,727)
Total fund balance (deficit)	<u>22,290</u>	<u>(5,223)</u>	<u>1,716</u>	<u>-</u>	<u>-</u>	<u>265</u>	<u>1,073,869</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)							
	<u>\$ 22,290</u>	<u>\$ -</u>	<u>\$ 1,716</u>	<u>\$ 4,900</u>	<u>\$ -</u>	<u>\$ 82,597</u>	<u>\$ 1,874,841</u>

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2014

SCHEDULE 4

	<u>Title I - Reading First Part B SEA Funds</u>	<u>Regional Safe Schools</u>	<u>Truants Alternative/ Optional Education</u>	<u>McKinney Education for Homeless Children</u>	<u>Juvenile Detention Fund</u>	<u>Teacher Mentoring Program</u>
REVENUES:						
Federal sources	\$ -	\$ -	\$ -	\$ 45,000	\$ -	\$ -
State sources	-	356,495	107,958	-	745,492	-
Local sources:						
Intergovernmental	-	484,635	-	-	-	-
Total revenues	<u>-</u>	<u>841,130</u>	<u>107,958</u>	<u>45,000</u>	<u>745,492</u>	<u>-</u>
EXPENDITURES:						
Instructional services:						
Salaries	-	-	76,967	-	363,044	-
Employee benefits	-	-	20,043	-	127,912	-
Purchased services	-	123,297	11,697	39,973	13,700	-
Supplies and materials	-	-	465	2,681	1,654	-
Payments to other governments	-	1,000,168	-	2,298	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>1,123,465</u>	<u>109,172</u>	<u>44,952</u>	<u>506,310</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(282,335)	(1,214)	48	239,182	-
OTHER FINANCING SOURCES:						
Transfer in	<u>-</u>	<u>253,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	(29,217)	(1,214)	48	239,182	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>663</u>	<u>(95,816)</u>	<u>(16,587)</u>	<u>12,443</u>	<u>945,561</u>	<u>(242)</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 663</u>	<u>\$ (125,033)</u>	<u>\$ (17,801)</u>	<u>\$ 12,491</u>	<u>\$ 1,184,743</u>	<u>\$ (242)</u>

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2014

SCHEDULE 4
 (CONTINUED)

	<u>Principal Mentoring Program</u>	<u>ROE/ISC Operations</u>	<u>EFAST Pilot Program</u>	<u>Title II - Teacher Quality Leadership</u>	<u>Workforce Development</u>	<u>Soaring with SAVE</u>	<u>Totals</u>
REVENUES:							
Federal sources	\$ -	\$ -	\$ -	\$ 31,200	\$ 41,143	\$ -	\$ 117,343
State sources	-	98,094	-	-	-	97,668	1,405,707
Local sources:							
Intergovernmental	-	-	-	-	-	-	484,635
Total revenues	<u>-</u>	<u>98,094</u>	<u>-</u>	<u>31,200</u>	<u>41,143</u>	<u>97,668</u>	<u>2,007,685</u>
EXPENDITURES:							
Instructional services:							
Salaries	-	79,834	-	-	6,954	57,544	584,343
Employee benefits	-	17,343	-	-	877	2,933	169,108
Purchased services	-	-	-	31,200	83	21,988	241,938
Supplies and materials	-	2,644	-	-	-	10,657	18,101
Payments to other governments	-	-	-	-	-	-	1,002,466
Capital outlay	-	-	-	-	-	4,281	4,281
Total expenditures	<u>-</u>	<u>99,821</u>	<u>-</u>	<u>31,200</u>	<u>7,914</u>	<u>97,403</u>	<u>2,020,237</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,727)	-	-	33,229	265	(12,552)
OTHER FINANCING SOURCES:							
Transfer in	-	-	-	-	558	-	253,676
NET CHANGE IN FUND BALANCE (DEFICIT)	-	(1,727)	-	-	33,787	265	241,124
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>22,290</u>	<u>(3,496)</u>	<u>1,716</u>	<u>-</u>	<u>(33,787)</u>	<u>-</u>	<u>832,745</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 22,290</u>	<u>\$ (5,223)</u>	<u>\$ 1,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265</u>	<u>\$ 1,073,869</u>

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2014

SCHEDULE 5

	Regional Safe Schools				Truants Alternative/Optional Education				McKinney Education for Homeless Children			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES:												
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,000	\$ 45,000	\$ 45,000	\$ -
State sources	356,495	356,495	356,495	-	107,958	107,958	107,958	-	-	-	-	-
Local sources:												
Intergovernmental	-	-	484,635	484,635	-	-	-	-	-	-	-	-
Total revenues	<u>356,495</u>	<u>356,495</u>	<u>841,130</u>	<u>484,635</u>	<u>107,958</u>	<u>107,958</u>	<u>107,958</u>	<u>-</u>	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>
EXPENDITURES:												
Instructional services:												
Salaries	-	-	-	-	76,069	76,069	76,967	(898)	-	-	-	-
Employee benefits	-	-	-	-	20,345	20,345	20,043	302	-	-	-	-
Purchased services	140,915	140,915	123,297	17,618	10,722	10,722	11,697	(975)	39,000	39,000	39,973	(973)
Supplies and materials	-	-	-	-	822	822	465	357	6,000	6,000	2,681	3,319
Payments to other governments	215,580	215,580	1,000,168	(784,588)	-	-	-	-	-	-	2,298	(2,298)
Total expenditures	<u>356,495</u>	<u>356,495</u>	<u>1,123,465</u>	<u>(766,970)</u>	<u>107,958</u>	<u>107,958</u>	<u>109,172</u>	<u>(1,214)</u>	<u>45,000</u>	<u>45,000</u>	<u>44,952</u>	<u>48</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>(282,335)</u>	<u>\$ (282,335)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,214)</u>	<u>\$ (1,214)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>48</u>	<u>\$ 48</u>
OTHER FINANCING SOURCES:												
Transfer in			253,118				-				-	
NET CHANGE IN FUND BALANCE (DEFICIT)			(29,217)				(1,214)				48	
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			(95,816)				(16,587)				12,443	
FUND BALANCE (DEFICIT), END OF YEAR			<u>\$(125,033)</u>				<u>\$ (17,801)</u>				<u>\$ 12,491</u>	

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2014

SCHEDULE 5
 (CONTINUED)

	ROE/ISC Operations				Title II - Teacher Quality Leadership			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final		
REVENUES:								
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ 31,200	\$ 31,200	\$ 31,200	\$ -
State sources	98,094	98,094	98,094	-	-	-	-	-
Local sources:								
Intergovernmental	-	-	-	-	-	-	-	-
Total revenues	98,094	98,094	98,094	-	31,200	31,200	31,200	-
EXPENDITURES:								
Instructional services:								
Salaries	77,000	77,000	79,834	(2,834)	-	-	-	-
Employee benefits	18,450	18,450	17,343	1,107	-	-	-	-
Purchased services	-	-	-	-	31,200	31,200	31,200	-
Supplies and materials	2,644	2,644	2,644	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-
Total expenditures	98,094	98,094	99,821	(1,727)	31,200	31,200	31,200	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	(1,727)	\$ (1,727)	\$ -	\$ -	-	\$ -
OTHER FINANCING SOURCES:								
Transfer in			-				-	
NET CHANGE IN FUND BALANCE (DEFICIT)			(1,727)				-	
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			(3,496)				-	
FUND BALANCE (DEFICIT), END OF YEAR			\$ (5,223)				\$ -	

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2014

SCHEDULE 6

	<u>Educational Services Division</u>	<u>General Education Development</u>	<u>Bus Driver Training</u>	<u>Regional Board of School Trustees</u>	<u>Reading Recovery Installation Fees</u>
ASSETS					
Cash and cash equivalents	\$ -	\$ 50,588	\$ 63,104	\$ 1,738	\$ 56,249
Due from other funds	-	-	-	-	-
Due from other governments	<u>875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	875	50,588	63,104	1,738	56,249
DEFERRED OUTFLOWS OF RESOURCES					
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
	<u>\$ 875</u>	<u>\$ 50,588</u>	<u>\$ 63,104</u>	<u>\$ 1,738</u>	<u>\$ 56,249</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	253	197	-	-
Due to other funds	34,951	-	-	-	-
Unearned revenue	<u>-</u>	<u>-</u>	<u>2,544</u>	<u>-</u>	<u>-</u>
Total liabilities	34,951	253	2,741	-	-
DEFERRED INFLOWS OF RESOURCES					
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT)					
Restricted	-	50,335	60,363	1,738	56,249
Unassigned	<u>(34,076)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance (deficit)	(34,076)	50,335	60,363	1,738	56,249
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)					
	<u>\$ 875</u>	<u>\$ 50,588</u>	<u>\$ 63,104</u>	<u>\$ 1,738</u>	<u>\$ 56,249</u>

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2014

SCHEDULE 6
 (CONTINUED)

	<u>Reading Recovery Operations</u>	<u>Distributive Interest</u>	<u>Learning Technology Center</u>	<u>Attendance and Truancy Division (ATD)</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 40,077	\$ 5,877	\$ -	\$ 17,366	\$ 234,999
Due from other funds	-	-	-	26,590	26,590
Due from other governments	-	-	10,939	-	11,814
Total assets	40,077	5,877	10,939	43,956	273,403
DEFERRED OUTFLOWS OF RESOURCES					
None	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
	\$ 40,077	\$ 5,877	\$ 10,939	\$ 43,956	\$ 273,403
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 142	\$ 142
Accrued expenses	-	597	-	-	1,047
Due to other funds	-	-	14,903	-	49,854
Unearned revenue	-	-	-	-	2,544
Total liabilities	-	597	14,903	142	53,587
DEFERRED INFLOWS OF RESOURCES					
None	-	-	-	-	-
FUND BALANCE (DEFICIT)					
Restricted	40,077	5,280	-	43,814	257,856
Unassigned	-	-	(3,964)	-	(38,040)
Total fund balance (deficit)	40,077	5,280	(3,964)	43,814	219,816
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)					
	\$ 40,077	\$ 5,877	\$ 10,939	\$ 43,956	\$ 273,403

**LAKE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2014**

SCHEDULE 7

	<u>Educational Services Division</u>	<u>General Education Development</u>	<u>Bus Driver Training</u>	<u>Regional Board of School Trustees</u>	<u>Reading Recovery Installation Fees</u>
REVENUES:					
Federal sources	\$ 11,088	\$ -	\$ -	\$ -	\$ -
State sources	-	-	4,067	-	-
Local sources:					
Intergovernmental	-	-	-	2,866	-
Fees for services	-	37,007	22,966	-	-
Interest income	-	-	-	-	-
Total revenues	<u>11,088</u>	<u>37,007</u>	<u>27,033</u>	<u>2,866</u>	<u>-</u>
EXPENDITURES:					
Instructional services:					
Salaries	1,000	-	-	-	-
Employee benefits	250	-	-	-	-
Purchased services	834	32,245	11,514	4,146	-
Supplies and materials	-	3,753	348	-	-
Payments to other governments	-	-	-	-	-
Other objects	-	5	194	-	-
Total expenditures	<u>2,084</u>	<u>36,003</u>	<u>12,056</u>	<u>4,146</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,004	1,004	14,977	(1,280)	-
OTHER FINANCING SOURCES (USES):					
Transfer in	-	-	-	-	-
Transfer out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	9,004	1,004	14,977	(1,280)	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>(43,080)</u>	<u>49,331</u>	<u>45,386</u>	<u>3,018</u>	<u>56,249</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ (34,076)</u>	<u>\$ 50,335</u>	<u>\$ 60,363</u>	<u>\$ 1,738</u>	<u>\$ 56,249</u>

LAKE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2014

SCHEDULE 7
(CONTINUED)

	<u>Reading Recovery</u> <u>Operations</u>	<u>Distributive</u> <u>Interest</u>	<u>Learning</u> <u>Technology</u> <u>Center</u>	<u>Attendance and</u> <u>Truancy Division</u> <u>(ATD)</u>	<u>Totals</u>
REVENUES:					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ 11,088
State sources	-	-	45,697	-	49,764
Local sources:					
Intergovernmental	630	-	-	23,108	26,604
Fees for services	91,910	9,045	-	-	160,928
Interest income	-	254	-	-	254
Total revenues	<u>92,540</u>	<u>9,299</u>	<u>45,697</u>	<u>23,108</u>	<u>248,638</u>
EXPENDITURES:					
Instructional services:					
Salaries	10,000	-	27,094	4,774	42,868
Employee benefits	-	159	20,718	1,419	22,546
Purchased services	30,422	1,554	-	6,075	86,790
Supplies and materials	935	2,832	-	24,165	32,033
Payments to other governments	4,065	-	-	-	4,065
Other objects	26	2,050	-	-	2,275
Total expenditures	<u>45,448</u>	<u>6,595</u>	<u>47,812</u>	<u>36,433</u>	<u>190,577</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	47,092	2,704	(2,115)	(13,325)	58,061
OTHER FINANCING SOURCES (USES):					
Transfer in	-	1,500	-	7,000	8,500
Transfer out	-	-	-	(558)	(558)
Total other financing sources (uses)	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>6,442</u>	<u>7,942</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	47,092	4,204	(2,115)	(6,883)	66,003
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>(7,015)</u>	<u>1,076</u>	<u>(1,849)</u>	<u>50,697</u>	<u>153,813</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 40,077</u>	<u>\$ 5,280</u>	<u>\$ (3,964)</u>	<u>\$ 43,814</u>	<u>\$ 219,816</u>

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2014**

	Learning Technology Center			Variance with Final Budget
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES:				
State sources	\$ 45,697	\$ 45,697	\$ 45,697	\$ -
EXPENDITURES:				
Instructional services:				
Salaries	-	-	27,094	(27,094)
Employee benefits	-	-	20,718	(20,718)
Purchased services	45,697	45,697	-	45,697
Total expenditures	45,697	45,697	47,812	(2,115)
NET CHANGE IN FUND BALANCE (DEFICIT)	\$ -	\$ -	(2,115)	\$ (2,115)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			(1,849)	
FUND BALANCE (DEFICIT), END OF YEAR			\$ (3,964)	

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2014**

<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Attendance and Truancy Division (ATD)</u>	<u>Fingerprinting Assessment</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,308	\$ 129,142	\$ 132,450
Prepays	-	15,866	15,866
Due from other governments	-	280	280
Total current assets	3,308	145,288	148,596
Non-current assets:			
Capital assets being depreciated, net	-	6,805	6,805
Total assets	3,308	152,093	155,401
DEFERRED OUTFLOWS OF RESOURCES			
None	-	-	-
LIABILITIES			
None	-	-	-
DEFERRED INFLOWS OF RESOURCES			
None	-	-	-
NET POSITION			
Net investment in capital assets	-	6,805	6,805
Unrestricted	3,308	145,288	148,596
Total net position	\$ 3,308	\$ 152,093	\$ 155,401

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2014**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Attendance and Truancy Division (ATD)</u>	<u>Fingerprinting Assessment</u>	<u>Total</u>
OPERATING REVENUES:			
Fees for services	\$ -	\$ 38,315	\$ 38,315
OPERATING EXPENSES:			
Salaries	-	1,350	1,350
Purchased services	-	18,356	18,356
Supplies and materials	-	2,640	2,640
Other objects	-	70	70
Capital outlay	-	2,340	2,340
Depreciation	-	745	745
Total operating expenses	<u>-</u>	<u>25,501</u>	<u>25,501</u>
CHANGES IN NET POSITION	-	12,814	12,814
NET POSITION, BEGINNING OF YEAR	<u>3,308</u>	<u>139,279</u>	<u>142,587</u>
NET POSITION, END OF YEAR	<u>\$ 3,308</u>	<u>\$ 152,093</u>	<u>\$ 155,401</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Attendance and Truancy Division (ATD)</u>	<u>Fingerprinting Assessment</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from workshops and services	\$ -	\$ 38,585	\$ 38,585
Payments to suppliers and providers of goods and services	-	(25,050)	(25,050)
Payments to employees	-	(1,350)	(1,350)
Net cash provided by operating activities	<u>-</u>	<u>12,185</u>	<u>12,185</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Purchase of capital assets	-	(7,500)	(7,500)
Net cash used in capital financing activities	<u>-</u>	<u>(7,500)</u>	<u>(7,500)</u>
CHANGES IN CASH AND CASH EQUIVALENTS	-	4,685	4,685
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,308</u>	<u>124,457</u>	<u>127,765</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,308</u>	<u>\$ 129,142</u>	<u>\$ 132,450</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ -	\$ 12,814	\$ 12,814
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	-	745	745
Change in assets:			
Accounts receivable	-	200	200
Prepays	-	(1,644)	(1,644)
Due from other governments	-	70	70
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ 12,185</u>	<u>\$ 12,185</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
**STATEMENT OF CHANGES IN
 ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2014**

SCHEDULE 12

	<u>Balance, July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2014</u>
DISTRIBUTIVE FUND				
ASSETS				
Cash and cash equivalents	\$ 1,280	\$ 1,026	\$ 317	\$ 1,989
LIABILITIES				
Due to other governments	\$ 1,280	\$ 1,026	\$ 317	\$ 1,989