

**State of Illinois
LAKE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 34**

**FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
FOR THE YEAR ENDED JUNE 30, 2005**

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

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LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

OFFICIALS

Regional Superintendent
(current and during the audit period)

Ms. Roycealee Wood

Assistant Regional Superintendent
(current and during the audit period)

Ms. Mary Penich

Office is located at:

800 Lancer Lane
Grayslake, Illinois 60030-2656

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
JUNE 30, 2005**

COMPLIANCE REPORT

SUMMARY

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

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

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
		FINDINGS (GOVERNMENT AUDITING STANDARDS)
05-1	12	Controls Over Compliance with Laws and Regulations

FINDINGS AND QUESTIONED COSTS
(FEDERAL COMPLIANCE)

None

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
JUNE 30, 2005**

SUMMARY OF FINDINGS AND QUESTIONED COST (CONTINUED)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
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PRIOR FINDINGS NOT REPEATED
(GOVERNMENT AUDITING STANDARDS)

None

PRIOR FINDINGS NOT REPEATED
(FEDERAL COMPLIANCE)

None

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on December 8, 2005 held at the Lake County Regional Office of Education No. 34, 800 Lancer Lane, Grayslake, Illinois 60030. Representing the ROE were Roycealee Wood, Regional Superintendent, Kay Klemens, Accountant, Mary Marchetti, Accountant, and Chris Kraemer, Bookkeeper. Representing E. C. Ortiz & Co., LLP was Leilani N. Rodrigo, Manager. Responses to the recommendations were provided by Roycealee Wood in a letter dated December 8, 2005.

FINANCIAL STATEMENT REPORT

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

The financial statement report is comprised of the following:

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

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

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

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

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

Financial Presentation Examined

Auditors' Reports

Findings and Recommendations

Financial Statements

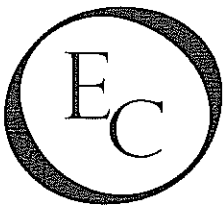
LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

FINANCIAL STATEMENT REPORT

SUMMARY

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

Based on their audit, the auditors expressed an unqualified opinion on the agency's basic financial statements.



INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake County Regional Office of Education No. 34, as of and for the year ended June 30, 2005, which collectively comprise the Lake County Regional Office of Education No. 34's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lake County Regional Office of Education No. 34's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake County Regional Office of Education No. 34, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

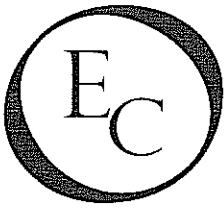
In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2005 on our consideration of the Lake County Regional Office of Education No. 34's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* on pages 16 through 21 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

C. C. G. & Co. LLP
Chicago, Illinois
October 14, 2005



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake County Regional Office of Education No. 34, as of and for the year ended June 30, 2005, which collectively comprise the Lake County Regional Office of Education No. 34's basic financial statements and have issued our report thereon dated October 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lake County Regional Office of Education No. 34's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

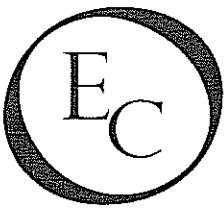
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lake County Regional Office of Education No. 34's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance which is required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*, to be reported on the accompanying Schedule of Findings and Questioned Costs as item 05-1.

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

E. E. Grij & Co. LLP

Chicago, Illinois
October 14, 2005



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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the Lake County Regional Office of Education No. 34 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Lake County Regional Office of Education No. 34's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Lake County Regional Office of Education No. 34's management. Our responsibility is to express an opinion on the Lake County Regional Office of Education No. 34's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lake County Regional Office of Education No. 34's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Lake County Regional Office of Education No. 34's compliance with those requirements.

In our opinion, the Lake County Regional Office of Education No. 34 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Lake County Regional Office of Education No. 34 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Lake County Regional Office of Education No. 34's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

E. C. G. & C. L. T.

Chicago, Illinois
October 14, 2005

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Part I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.318X	Technology - Enhancing Education - Competitive
84.357A	Title I - Reading First Part B SEA Funds
84.010A	Title I - School Improvement & Accountability

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

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Part II: Findings Related to the Basic Financial Statements

FINDING NO. 05-1 - Controls Over Compliance with Laws and Regulations

Criteria/specific requirements:

The Illinois School Code 105 ILCS 5/3-14.11 states that the Regional Superintendent shall examine at least once each year all books, accounts, and vouchers of every school treasurer in her educational service region, and if she finds any irregularities in them, to report them at once, in writing, to the trustees in Class II county school units, to the respective school boards of those school districts which form a part of a Class II county school unit but which are not subject to the jurisdiction of the trustees of schools of any township in which any such district is located, or to the respective school boards of the district in Class I county school units whose duty it shall be to take immediately such action as the case demands.

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

Condition:

Lake County Regional Office of Education No. 34 is not examining all books, accounts, and vouchers of every school treasurer in its educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in her region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

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

Effect:

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

Cause:

Lake County Regional Office of Education No. 34 management stated that the procedures currently being performed are deemed sufficient to comply with this mandate.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NO. 05-1 - Controls Over Compliance with Laws and Regulations
(Continued)

Auditors' Recommendations:

The Regional Office of Education No. 34 should comply with the requirements of 105 ILCS 5/3-14.11. If the Regional Office believes the statutory mandate is obsolete or otherwise unnecessary, then it should seek legislative action to revise the statute accordingly.

Management's Response:

In 1953, there were 102 county superintendents and their duties were a lot less numerous than today. Few schools had budgets that exceeded \$500,000. Under such conditions, this law probably made sense. During the past 50+ years, various practices have evolved eliminating the need for this type of monitoring. In the 21st century, all schools have multi-million dollar budgets that are: 1.) audited annually by professionally certified outside auditing firms; 2.) audits are filed for public record and inspection; and 3.) this is tracked through the process by the procedures mentioned above in the section titled "Condition". Requiring the ROE's to do another review would be redundant, costly, and require the hiring of teams of new staff members in each ROE to carry out the task. The latter begs the question of which level(s) of government would bear the cost to carry out this task and how costly might that be to reinstitute the practice?

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

None

REPORTABLE CONDITIONS:

None

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2005**

FINDING NO. 05-1 - Controls Over Compliance with Laws and Regulations

Condition:

Lake County Regional Office of Education No. 34 is not examining all books, accounts, and vouchers of every school treasurer in its educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in her region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

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

Plan:

The Illinois Association of Regional Superintendents of Schools (IARSS) will bring about changes in the School Code through the General Assembly to revise the laws in the School Code to reflect current practices in regard to “examining all books, accounts and vouchers of every school treasurer in her educational service area at least once each year.”

Anticipated Date of Completion:

The IARSS will seek to bring about a legislative solution with the current General Assembly as soon as practical.

Name of Contact Person:

Roycealee Wood, Regional Superintendent

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

The Lake County Regional Office of Education No. 34 (ROE No. 34) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2005 with comparative information for the year ended June 30, 2004. Readers are encouraged to consider the information in conjunction with the ROE No. 34's basic financial statements.

2005 Financial Highlights

- Within the Governmental Funds, the General Fund revenues increased by \$123,445 (19%) from \$644,464 in FY 2004 to \$767,909 in fiscal year 2005. General Fund expenditures increased by \$282,421 (60%) from \$469,374 in FY 2004 to \$751,795 in FY 2005.
- Within the Governmental Funds, the Special Revenue Fund revenues decreased by \$1,284,133 (23%) from \$5,534,546 in FY 2004 to \$4,250,413 in FY 2005. The Special Revenue Fund expenditures decreased by \$1,539,919 (28%) from \$5,561,507 in FY 2004 to \$4,021,588 in FY 2005.
- The Enterprise Fund revenues decreased by \$113,548 (33%) from \$341,755 in FY 2004 to \$228,207 in FY 2005. The Enterprise Fund expenditures decreased by \$141,483 (30%) from \$471,572 in FY 2004 to \$330,089 in FY 2005.
- The ROE No. 34 has no long term debt.

Using This Report

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

- *Management's Discussion and Analysis* introduces financial statements and provides an analytical overview of the Regional Office's financial activities.
- The *Government-wide financial statements* consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the ROE No. 34 as a whole and present an overall view of the Office's finances.
- *Fund financial statements* report the ROE No. 34's operations in more detail than the government-wide statements by providing information about the most significant funds.
- *Notes to the financial statements* provide additional information that is needed for a full understanding of the data provided in the basic financial statements.
- *Required supplementary information* further explains and supports the financial statements and other supplementary information provides detailed information about the major and non-major funds.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

Reporting the Lake County's Regional Office as a Whole

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

Government-wide Financial Statements

The Government-wide statements report information about the ROE No. 34 as a whole. The Statement of Net Assets includes all of the assets and liabilities, with the difference reported as *net assets*. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid using Generally Accepted Accounting Principles and GASB 34.

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

- Over time, increases or decreases in the net assets can be an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the ROE No. 34's overall financial condition, additional non-financial factors, such as new laws, rules, regulations, and actions by officials at the state level need to be considered.

Fund Financial Statements

The fund financial statements provide detailed information about the Regional Office's funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by state law. The ROE No. 34 established other funds to control and manage money for particular purposes.

The Office has three kinds of funds:

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve when examined over time as one indicator of the financial position of the ROE No. 34. The net assets at the end of FY 2005 totaled \$2,006,049. At the end of FY 2004, the net assets were \$1,881,558. The analysis that follows provides a summary of the ROE No. 34's net assets as of June 30.

CONDENSED STATEMENT OF NET ASSETS

	<u>2005</u>	<u>2004</u>
Current assets	\$ 2,515,580	\$ 2,415,827
Capital assets, net of depreciation	17,650	28,961
Total assets	<u>2,533,230</u>	<u>2,444,788</u>
Current liabilities	<u>527,181</u>	<u>563,230</u>
Total liabilities	<u>527,181</u>	<u>563,230</u>
Net assets:		
Invested in capital assets, net of related debt	17,650	28,961
Unrestricted	1,988,399	1,852,597
Total net assets	<u>\$ 2,006,049</u>	<u>\$ 1,881,558</u>

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

The ROE No. 34's net assets increased by \$124,491 (7%) from FY 2004. The increase occurred primarily in the Regional Safe Schools Program Fund due to excess of revenues over expenses.

CHANGES IN NET ASSETS

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 752,090	\$ 1,449,606
Operating grants and contributions	3,712,984	4,418,770
General revenues:		
Local sources	280,452	402,441
State sources	232,467	54,925
On-behalf payments	268,536	195,023
Total revenues	<u>5,246,529</u>	<u>6,520,765</u>
Expenses:		
Program expenses:		
Instructional services	4,523,413	5,842,132
Administrative	268,536	195,023
Professional development	330,089	471,572
Total expenses	<u>5,122,038</u>	<u>6,508,727</u>
Change in net assets	124,491	12,038
Net assets beginning of year	1,881,558	1,869,520
Net assets end of year	<u>\$ 2,006,049</u>	<u>\$ 1,881,558</u>

Governmental Fund Activities

Revenues for governmental fund activities were \$5,018,322 and expenditures were \$4,773,383. Educational Service Division (ESD) revenues increased by \$210,206 due to the System of Support Grants (Title V - Innovative Programs - SEA Projects, Title I - School Improvement & Accountability, and Title II - Teacher Quality - Leadership Grant) from the Will County Regional Office of Education No. 56. Some grants increased while others decreased or were not funded in FY 2005. ROE/ISC Internal Review and Summer Bridges were not funded in FY 2005. Title I - Reading First Part B SEA Funds has been severely cut in funding, thus revenues decreased by \$385,875. Program expenditures were proportionally increased or decreased to meet the funding level. The ROE Safe Schools program expenditures decreased by approximately \$110,000 and unspent allocation of approximately \$65,000 was returned to the Illinois State Board of Education.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

Financial Analysis of the ROE No. 34 Funds

As previously noted, the ROE No. 34 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The ROE's Governmental Funds reported combined fund balances of \$1,975,833.

Governmental Fund Highlights

- The dollar return on investments (certificate of deposit, short-term investments and interest earned on a float) is rising due to higher interest rates.
- There was an increase in the state aid foundation level to \$4,964 per student from \$4,810.

Proprietary Fund Highlights

Total proprietary fund net assets decreased by \$101,882 (81%). The decrease in the proprietary funds revenues and expenses is due to decrease in workshop activities.

Fiduciary Fund Highlights

There was no significant movement in fiduciary funds for FY 2005. Total fiduciary net assets only increased by \$339. Transactions during FY 2005 represent mainly transfers in and out of funds for the Distributive Fund.

Budgetary Highlights

The ROE No. 34 annually adopts budgets for several funds. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the County Board for their approval. The Office Operations Budget covers a fiscal year which runs from December 1 to November 30. All grant budgets are prepared by the ROE No. 34 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency.

Capital Assets

ROE No. 34's capital assets include office equipment, computers, audio-visual equipment, and office furniture. The ROE No. 34 maintains an inventory of capital assets which have been accumulated over time. For FY 2005, total additions amounted to \$9,714 and total retirements amounted to \$8,480. Depreciation expense for FY 2005 was \$20,975.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

Economic Factors and Next Years' Budget

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

- Federal grants have decreased when compared to FY 2004 levels. Of the State grants, the School Services grant is less than 50% of the funding in FY 2004. It is important to understand that this reduction in School Services dollars has not resulted in a reduction of required initiatives. On the contrary, there has been an increase in required initiatives. This is expected to continue in FY 2006.
- Interest rates appear to be increasing.

Contacting the Regional Office's Financial Management

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

BASIC FINANCIAL STATEMENTS

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 STATEMENT OF NET ASSETS
 JUNE 30, 2005

EXHIBIT A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,041,228	\$ 72,581	\$ 2,113,809
Investments	90,990	-	90,990
Accounts receivable	16,024	22,379	38,403
Due from (to) other funds	43,114	(43,114)	-
Due from other governments	272,378	-	272,378
Total current assets	<u>2,463,734</u>	<u>51,846</u>	<u>2,515,580</u>
Noncurrent assets			
Capital assets, net	6,499	11,151	17,650
TOTAL ASSETS	<u>2,470,233</u>	<u>62,997</u>	<u>2,533,230</u>
LIABILITIES			
Accounts payable	120,116	39,280	159,396
Due to other governments	170,095	-	170,095
Deferred revenues	197,690	-	197,690
TOTAL LIABILITIES	<u>487,901</u>	<u>39,280</u>	<u>527,181</u>
NET ASSETS			
Invested in capital assets	6,499	11,151	17,650
Unrestricted	1,975,833	12,566	1,988,399
TOTAL NET ASSETS	<u>\$ 1,982,332</u>	<u>\$ 23,717</u>	<u>\$ 2,006,049</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contribution	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS						
Primary government						
Governmental activities:						
Instructional services						
Salaries	\$ 1,201,681	\$ 213,972	\$ 812,451	\$ (175,258)	\$ -	\$ (175,258)
Benefits	424,852	26,243	230,758	(167,851)	-	(167,851)
Purchased services	913,794	150,701	749,969	(13,124)	-	(13,124)
Supplies and materials	70,269	17,133	37,939	(15,197)	-	(15,197)
Miscellaneous	9,113	6,601	2,081	(431)	-	(431)
Payments to other governments	1,880,355	107,758	1,878,586	105,989	-	105,989
Capital expenditures	4,783	1,475	1,200	(2,108)	-	(2,108)
Depreciation	18,516	-	-	(18,516)	-	(18,516)
Loss on retirement of capital asset	50	-	-	(50)	-	(50)
Administrative						
On-behalf payments	268,536	-	-	(268,536)	-	(268,536)
Total governmental activities	4,791,949	523,883	3,712,984	(555,082)	-	(555,082)
Business-type activities:						
Professional development	330,089	228,207	-	-	(101,882)	(101,882)
Total business-type activities	330,089	228,207	-	-	(101,882)	(101,882)
Total primary government	\$ 5,122,038	\$ 752,090	\$ 3,712,984	(555,082)	(101,882)	(656,964)
General revenues						
Local sources						
Intergovernmental				258,575	-	258,575
Interest income				21,877	-	21,877
State sources				232,467	-	232,467
On-behalf payments				268,536	-	268,536
Total general revenues and transfers				781,455	-	781,455
Change in net assets				226,373	(101,882)	124,491
Net assets - beginning				1,755,959	125,599	1,881,558
Net assets - ending				\$ 1,982,332	\$ 23,717	\$ 2,006,049

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2005

EXHIBIT C

	General	Education Fund	Educational Services Division	Juvenile Detention Fund	Other Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents (overdrafts)	\$ 488,166	\$ 1,056,684	\$ (158,393)	\$ 225,895	\$ 428,876	\$ 2,041,228
Investments	-	-	-	-	90,990	90,990
Accounts receivable	15,451	-	-	-	573	16,024
Due from other governments	-	34,605	237,773	-	-	272,378
Due from other funds	-	-	-	-	43,114	43,114
Total assets	<u>503,617</u>	<u>1,091,289</u>	<u>79,380</u>	<u>225,895</u>	<u>563,553</u>	<u>2,463,734</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	11,312	39,231	65,136	-	4,437	120,116
Due to other governments	-	170,095	-	-	-	170,095
Deferred revenues	81,893	109,837	5,960	-	-	197,690
Total liabilities	<u>93,205</u>	<u>319,163</u>	<u>71,096</u>	<u>-</u>	<u>4,437</u>	<u>487,901</u>
FUND BALANCES						
Unrestricted, reported in						
General fund	410,412	-	-	-	-	410,412
Special revenue funds	-	772,126	8,284	225,895	559,116	1,565,421
Total fund balances	<u>410,412</u>	<u>772,126</u>	<u>8,284</u>	<u>225,895</u>	<u>559,116</u>	<u>1,975,833</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 503,617</u>	<u>\$ 1,091,289</u>	<u>\$ 79,380</u>	<u>\$ 225,895</u>	<u>\$ 563,553</u>	<u>\$ 2,463,734</u>

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

EXHIBIT D

Total fund balances - governmental funds	\$	1,975,833
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds		<u>6,499</u>
Net assets of governmental activities	\$	<u><u>1,982,332</u></u>

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

EXHIBIT E

	General	Education Fund	Educational Services Division	Juvenile Detention Fund	Other Non-Major Funds	Total Governmental Funds
REVENUES						
Federal sources	\$ -	\$ 1,338,778	\$ 411,345	\$ -	\$ -	\$ 1,750,123
State sources	232,467	1,235,369	-	-	183,499	1,651,335
Local sources						
Intergovernmental	258,575	-	19,162	-	191,666	469,403
Service	-	-	70,639	636,371	148,618	855,628
Other	-	-	1,320	-	100	1,420
Interest income	8,331	6,139	-	1,883	5,524	21,877
On-behalf payments	268,536	-	-	-	-	268,536
Total revenues	<u>767,909</u>	<u>2,580,286</u>	<u>502,466</u>	<u>638,254</u>	<u>529,407</u>	<u>5,018,322</u>
EXPENDITURES						
Current:						
Instructional services:						
Salaries	224,216	249,135	85,582	432,765	209,983	1,201,681
Benefits	181,112	42,161	27,648	148,177	25,754	424,852
Purchased services	57,444	366,410	342,048	-	147,892	913,794
Supplies and materials	17,617	7,880	27,578	381	16,813	70,269
Capital expenditures	2,201	1,134	-	-	1,448	4,783
Miscellaneous	669	-	-	1,966	6,478	9,113
Payments to other governments	-	1,752,500	22,106	-	105,749	1,880,355
On-behalf payments	-	-	-	-	-	268,536
Total expenditures	<u>751,795</u>	<u>2,419,220</u>	<u>504,962</u>	<u>583,289</u>	<u>514,117</u>	<u>4,773,383</u>
EXCESS OF REVENUES OVER EXPENDITURES	16,114	161,066	(2,496)	54,965	15,290	244,939
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	18	-	344	362
Transfers out	(18)	-	-	-	(344)	(362)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	16,096	161,066	(2,478)	54,965	15,290	244,939
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR	394,316	611,060	10,762	170,930	543,826	1,730,894
FUND BALANCE, UNRESERVED, END OF YEAR	<u>\$ 410,412</u>	<u>\$ 772,126</u>	<u>\$ 8,284</u>	<u>\$ 225,895</u>	<u>\$ 559,116</u>	<u>\$ 1,975,833</u>

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

**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
 FOR THE YEAR ENDED JUNE 30, 2005**

EXHIBIT F

Net change in fund balances		\$ 244,939
Amounts reported for governmental activities in the Statement of Activities are different because:		
<p>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.</p>		
Loss on retirement of capital asset	\$ (50)	
Depreciation expense	<u>(18,516)</u>	<u>(18,566)</u>
Change in net assets of governmental activities		<u>\$ 226,373</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2005

EXHIBIT G

	Education Services Division	PASS (Positive Alternative Student Services)	Fingerprinting Assessment	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 54,376	\$ 8,016	\$ 10,189	\$ 72,581
Accounts receivable	22,379	-	-	22,379
Total current assets	76,755	8,016	10,189	94,960
Noncurrent assets				
Capital assets, net	453	984	9,714	11,151
Total assets	77,208	9,000	19,903	106,111
LIABILITIES				
Accounts payable	39,280	-	-	39,280
Due to other funds	-	-	43,114	43,114
Total liabilities	39,280	-	43,114	82,394
NET ASSETS				
Invested in capital assets	453	984	9,714	11,151
Unrestricted	37,475	8,016	(32,925)	12,566
Total net assets	\$ 37,928	\$ 9,000	\$ (23,211)	\$ 23,717

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT H

	Education Services Division	PASS (Positive Alternative Student Services)	Fingerprinting Assessment	Total
OPERATING REVENUES				
Local sources	\$ 218,018	\$ -	\$ 10,189	\$ 228,207
OPERATING EXPENSES				
Salaries	118,905	-	-	118,905
Benefits	30,350	-	-	30,350
Purchased services	115,716	-	30,000	145,716
Supplies and materials	20,856	-	-	20,856
Miscellaneous	6,326	-	-	6,326
Capital expenditures	2,077	-	3,400	5,477
Depreciation	2,022	437	-	2,459
Total operating expenses	<u>296,252</u>	<u>437</u>	<u>33,400</u>	<u>330,089</u>
OPERATING LOSS	(78,234)	(437)	(23,211)	(101,882)
TOTAL NET ASSETS, July 1, 2004	<u>116,162</u>	<u>9,437</u>	<u>-</u>	<u>125,599</u>
TOTAL NET ASSETS, June 30, 2005	<u>\$ 37,928</u>	<u>\$ 9,000</u>	<u>\$ (23,211)</u>	<u>\$ 23,717</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT I

	Education Services Division	PASS (Positive Alternative Student Services)	Fingerprinting Assessment	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for workshops and services	\$ 198,985	\$ -	\$ 10,189	\$ 209,174
Payments to suppliers and providers of goods and services	(172,837)	-	-	(172,837)
Payments to employees	(149,255)	-	-	(149,255)
Net cash provided by (used in) operating activities	<u>(123,107)</u>	<u>-</u>	<u>10,189</u>	<u>(112,918)</u>
NET INCREASE (DECREASE) IN CASH	(123,107)	-	10,189	(112,918)
CASH, BEGINNING OF YEAR	<u>177,483</u>	<u>8,016</u>	<u>-</u>	<u>185,499</u>
CASH, END OF YEAR	<u>\$ 54,376</u>	<u>\$ 8,016</u>	<u>\$ 10,189</u>	<u>\$ 72,581</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating loss	\$ (78,234)	\$ (437)	\$ (23,211)	\$ (101,882)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation expense	2,022	437	-	2,459
Effects of changes in assets and liabilities:				
Accounts receivable	(19,033)	-	-	(19,033)
Accounts payable	(27,862)	-	-	(27,862)
Net fixed asset acquisition	-	-	(9,714)	(9,714)
Due to other funds	-	-	43,114	43,114
Net cash provided by (used in) operating activities	<u>\$ (123,107)</u>	<u>\$ -</u>	<u>\$ 10,189</u>	<u>\$ (112,918)</u>

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2005**

EXHIBIT J

ASSETS

Cash and cash equivalents	<u>\$ 1,150</u>
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LIABILITIES

Distributives payable	<u>\$ 1,150</u>
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The notes to the financial statements are an integral part of this statement.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

A. Reporting Entity

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

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

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

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

Blended Component Units

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

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

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

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

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

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

C. Change in Accounting Principles

Effective July 1, 2004, the Lake County Regional Office of Education No. 34 adopted GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, an amendment of GASB Statement No. 3. This new standard enhances the deposit and investment risk disclosures by updating the custodial credit risk disclosure requirements of GASB Statement No. 3 and addressing other common risks, including concentration of credit risk, interest rate risk and foreign currency risk.

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between those activities of the ROE that are governmental in nature and those that are considered business-type activities. *Governmental activities* normally are supported by operating grants and contributions, charges for services and intergovernmental revenues. *Business-type activities* normally are supported by amounts assessed or received from local sources for the ROE programs.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

E. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

F. Financial Statement Presentation - Fund Accounting

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

Governmental Fund Types

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

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

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

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

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

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

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Education Funds - These funds account for the State and federal grants and contracts administered by the ROE. The education funds are as follows:

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

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

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

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

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

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

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

Regional Safe Schools - To account for the administration of monies to be used for the Regional Safe Schools Program funded by the Illinois State Board of Education. This includes monies from Regional Safe Schools - General State Aid.

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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.

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

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

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

Non-major Special Revenue Funds

The ROE reported the following special revenue funds as non-major governmental funds.

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

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

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

Supervisory - Used to account for an annual appropriation of State common school funds for the expenses incurred in providing supervisory services.

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

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

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

Distributive Interest - Used to account for monies from interest on the checking account established for the office fund other than the distributive fund.

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

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

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 meetings of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the expense of any general or special meeting of teachers or school personnel, which has been approved.

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

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Proprietary Fund Types

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

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

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

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

Fiduciary Fund Type

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

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

G. Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the ROE receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the ROE must provide local resources to be

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

H. Disposition of Distributive Fund Interest

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

I. License and Permits

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

J. Capital Assets

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

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

K. Deferred Revenues

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

L. Net Assets

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

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
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Unrestricted Net Assets - represent resources used for transactions relating to the general operations of the ROE and may be used at the discretion of management to meet expenses for any purpose.

M. Management Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

N. Investments and Cash Accounts

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

O. Revenues from Federal and State Grants

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

P. Budgetary Data

The Lake County Regional Office of Education No. 34 did not formally adopt a budget for the year ended June 30, 2005 and is not legally required to do so. The Illinois State Board of Education and other federal grantors require budgets for certain State and Federal programs. These budgets were used to prepare Budgetary Comparison Schedules for the following programs:

General Fund

- ROE/ISC Operations

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Special Revenue Funds

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

NOTE 2 - CASH AND INVESTMENTS

Deposits

The Lake County Regional Office of Education No. 34 utilizes several different bank accounts for its various activities. The book balance of such accounts is \$2,114,959 at June 30, 2005, while the bank balance was \$2,115,526. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2005.

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

Category 1 includes deposits covered by depository insurance or collateral held by Lake County Regional Office of Education No. 34 in its name.

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

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

The ROE's deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and by collateral held by the financial institution in the ROE's name. Although deposit balances classified under the traditional risk categories of 1 and 2 have been determined under GASB Statement No. 40 to be exposed to only minimal risk, and, based on this conclusion, the GASB chose to limit disclosure of custodial credit risk to deposits that meet the definition of

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“Category 3”, the ROE has decided to include categories 1 and 2 in the discussion. The following table reflects the ROE’s level of risk as of June 30, 2005:

	Bank Balance
Category 1	\$ 100,000
Category 2	2,015,526
Category 3	-
Exempt	-
	\$ 2,115,526
Total	\$ 2,115,526

Investments

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

The ROE has pooled its investments. Investments are stated at fair value. Net income from investments of pooled funds is allocated and credited to the original sources of the funds. As of June 30, 2005, the ROE’s investments are certificate of deposits totaling \$90,990.

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

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ROE’s policy for managing its exposure to the risk is to limit investments to those allowable by the Illinois Public Funds Investment Act.

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

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

Category 1 includes investments that are insured or collateralized with securities held by the Lake County Regional Office of Education No. 34 in its name.

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

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

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

	Carrying Amount	Bank Balance	Category		
			1	2	3
Certificates of deposit	\$ 90,990	\$ 90,990	\$ 90,990	\$ --	\$ --

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
GOVERNMENTAL FUNDS				
Equipment	\$ 52,738	\$ --	\$ 8,480	\$ 44,258
Less: accumulated depreciation	27,673	18,516	8,430	37,759
Capital assets, net	<u>\$ 25,065</u>	<u>\$ (18,516)</u>	<u>\$ 50</u>	<u>\$ 6,499</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2005</u>
PROPRIETARY FUNDS				
Equipment	\$ 10,376	\$ 9,714	\$ -	\$ 20,090
Building Improvement	11,892	-	-	11,892
Total	<u>22,268</u>	<u>9,714</u>	<u>-</u>	<u>31,982</u>
Less: accumulated depreciation	18,372	2,459	-	20,831
Capital assets, net	<u>\$ 3,896</u>	<u>\$ 7,255</u>	<u>\$ -</u>	<u>\$ 11,151</u>

NOTE 4 - RETIREMENT FUND COMMITMENTS

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

NOTE 5 - RETIREMENT PLANS

Teachers' Retirement System of the State of Illinois

The Regional Office of Education participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2005 was 9 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was 0.5 percent during the year ended June 30, 2005, and the member THIS Fund health insurance contribution was 0.75 percent.

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

- **On-behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of Regional Office of Education No. 34. For the year ended June 30, 2005, the State of Illinois contributions were based on 11.76 percent of creditable earnings, and Regional Office of Education No. 34, recognized revenue and expenditures of \$71,646 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2004 and June 30, 2003, the State of Illinois contribution rate as a percentage of creditable earnings were 13.98 percent (\$87,337) and 13.01 percent (\$90,030), respectively.

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

- **2.2 Formula Contributions.** For the year ended June 30, 2005, and June 30, 2004, employers were required to contribute 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the years ended June 30, 2005, and June 30, 2004, were \$3,533 and \$3,623, respectively. For the year ended June 30, 2003, part of the employer's 2.2 formula contribution (0.58 percent of pay) was reduced as a result of a new employer THIS Fund contribution for retiree health insurance (0.4 percent of pay). The remaining 0.18 percent was submitted to TRS. Contributions for the year ended June 30, 2003 were \$1,245.
- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and trust funds administered by Regional Office of Education No. 34, there is a statutory requirement for Regional Office of Education No. 34 to pay an employer pension contribution from those funds. For the three years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2005, salaries totaling \$312,183 were paid from federal and trust funds that required employer contributions of \$32,779. For the years ended June 30, 2004 and June 30, 2003, required Regional Office of Education No. 34 contributions were \$13,988 and \$5,354, respectively.
- **Early Retirement Option (ERO).** Regional Office of Education No. 34 is also required to make one-time employer contributions to TRS for members who retired under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member. No member or employer contributions are required if the member has 34 years of service. The maximum employer payment of 100 percent of the member's highest salary used in the calculation of final average salary is required if the member is 55 years old. For the year ending June 30, 2005, the Regional Office of Education No.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

34 paid \$0 for employer contributions under the ERO. For the years ended June 30, 2004 and June 30, 2003, there were no salaries that qualified for this plan.

Changes

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

- **Active member contributions.** The active member contribution rate will increase from the current 9.0 percent of creditable earnings to 9.4 percent beginning July 1, 2005. The increase is to help cover the cost of the new ERO program and will be refunded if the member does not retire under ERO.
- **State/federal contributions.** Under a policy adopted by the Board of Trustees before Public Act 94-0004 was enacted, the employer contribution rate for employees paid from federal funds will be the same as the rate paid by the state. Under Public Act 94-0004, the state contribution rate in FY 2006 was reduced to 7.06 percent of pay. Therefore, the employer contribution rate for employees paid from federal funds in FY 2006 will be 7.06 percent, a decrease from the current 10.50 percent.
- **New employer contributions.**
 - **Salary increases over 6 percent.** If employers grant salary increases in excess of 6 percent that are used in final average salary calculations, the employer will make a lump-sum contribution to TRS to cover the cost of the portion of the benefit due to salary increases over 6 percent. Public Act 94-0004 exempts salary increases granted under contracts and collective bargaining agreements in effect on June 1, 2005.
 - **Sick leave in excess of normal allotment.** If employers grant sick leave near retirement in excess of the normal allotment and that sick leave is counted as service credit, the employer will make a lump-sum contribution to TRS. The act exempts sick leave granted under contracts and collective bargaining agreements in effect on June 1, 2005.
- **Early Retirement Option.** In addition to the changes described above, the following changes were made to ERO:
 - Both active member and employer ERO contribution rates are increased. For employers, the maximum contribution increases from the current 100 percent of the member's highest salary used in the calculation of final average salary to 117.5 percent.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
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- The waiver of member and employer ERO contributions when the member has 34 years of service ended with the program that expired June 30, 2005.
- A “Pipeline ERO” program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007.
- Public Act 94-0004 provides for a review of the member and employer ERO contributions every five years to ensure that the program is revenue neutral.

TRS financial information, an explanation of TRS’ benefits, and descriptions of member, employer and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2004. The report for the year ended June 30, 2005, is expected to be available in late 2005. The reports may be obtained by writing to the Teachers’ Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253. The most current report is also available on the TRS web site at trs.illinois.gov.

NOTE 6 - CAPITAL LEASE

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

The future minimum lease obligations and the net present value of these lease payments as of June 30, 2005, were as follows:

Year Ending June 30	Amount
2006	\$ 26,640
2007	18,912
Total minimum lease payment	45,552
Less amount representing interest	2,932
Present value of minimum lease payments	\$ 42,620

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 7 - SALARIES AND PENSION PLAN CONTRIBUTIONS

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

Regional Superintendent - salary	\$ 88,540
Regional Superintendent - benefits (includes State paid insurance)	17,353
Assistant Regional Superintendent - salary	79,686
Assistant Regional Superintendent - benefits (includes State paid insurance)	11,311
TRS Contributions	<u>71,646</u>
Total on-behalf payments	<u><u>\$ 268,536</u></u>

NOTE 8 - INTERFUND TRANSACTIONS

(a) Due From (To) Other Funds

The following is a summary of amounts due from (to) other funds as of June 30, 2005:

Fund	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Institute Fund	\$ 43,114	\$ -
Proprietary Fund - Fingerprinting Assessment	-	43,114

(b) Transfers From (To) Other Funds

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

Fund	<u>Transfers-out</u>	<u>Transfers-in</u>
General Fund - Educational Services Division Local Operations	(\$18)	
Education Fund - Educational Services Division Special Revenue		\$18
Education Fund - PASS Foundation Fund	(344)	
Education Fund - Workforce Development Department Summer Training and Education Program		344

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005**

NOTE 9 - DEFICIT FUND BALANCE

The following Education and Non-Major Special Revenue Funds have deficit fund balances as of June 30, 2005:

Education Fund:	
ROE/ISC Internal Review	\$ 79
Administrators Academy	28
Non-major Special Revenue Fund:	
Workforce Development Department	
Summer Training and Education Program	94
Total Deficit Fund Balances	<u>\$ 201</u>

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

NOTE 10 - DUE FROM/TO OTHER GOVERNMENTS

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

DUE FROM OTHER GOVERNMENT	
Illinois State Board of Education	\$ 34,605
Will County ROE - Professional Development Alliance	<u>237,773</u>
Total	<u>\$ 272,378</u>
DUE TO OTHER GOVERNMENT	
Special Education District of Lake County	<u>\$ 170,095</u>
Total	<u>\$ 170,095</u>

SUPPLEMENTARY INFORMATION

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING SCHEDULE OF ACCOUNTS
 GENERAL FUNDS
 JUNE 30, 2005

SCHEDULE 1

	<u>ROE/ISC Operations</u>	<u>Educational Services Division Local Operations</u>	<u>PASS (Positive Alternative Student Services)</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 783	\$ 423,953	\$ 63,430	\$ 488,166
Accounts receivable	-	15,451	-	15,451
Total assets	<u>783</u>	<u>439,404</u>	<u>63,430</u>	<u>503,617</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	-	11,312	-	11,312
Deferred revenues	-	81,893	-	81,893
Total liabilities	<u>-</u>	<u>93,205</u>	<u>-</u>	<u>93,205</u>
FUND BALANCES				
Unrestricted	<u>783</u>	<u>346,199</u>	<u>63,430</u>	<u>410,412</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 783</u>	<u>\$ 439,404</u>	<u>\$ 63,430</u>	<u>\$ 503,617</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 GENERAL FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 2

	ROE/ISC Operations	Educational Services Division Local Operations	PASS (Positive Alternative Student Services)	Total
REVENUES				
State sources	\$ 232,467	\$ -	\$ -	\$ 232,467
Local sources				
Intergovernmental	76,448	177,129	4,998	258,575
Interest	11	6,372	1,948	8,331
On-behalf payments	268,536	-	-	268,536
	<u>577,462</u>	<u>183,501</u>	<u>6,946</u>	<u>767,909</u>
Total revenues				
EXPENDITURES				
Salaries	160,907	63,309	-	224,216
Benefits	126,754	50,608	3,750	181,112
Purchased services	51,988	5,456	-	57,444
Supplies and materials	4,799	6,408	6,410	17,617
Capital expenditures	-	2,201	-	2,201
Miscellaneous	-	669	-	669
On-behalf payments	268,536	-	-	268,536
	<u>612,984</u>	<u>128,651</u>	<u>10,160</u>	<u>751,795</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(35,522)	54,850	(3,214)	16,114
OTHER FINANCING USES				
Transfers out	-	(18)	-	(18)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	(35,522)	54,832	(3,214)	16,096
FUND BALANCES, UNRESERVED, BEGINNING OF YEAR	<u>36,305</u>	<u>291,367</u>	<u>66,644</u>	<u>394,316</u>
FUND BALANCES, UNRESERVED, END OF YEAR	<u>\$ 783</u>	<u>\$ 346,199</u>	<u>\$ 63,430</u>	<u>\$ 410,412</u>

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 3

	<u>ROE/ISC Operations</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
State sources	\$ 232,467	\$ 232,467	\$ -
Local sources			
Intergovernmental	-	76,448	76,448
Interest	-	11	11
On-behalf payments	-	268,536	268,536
	<u>232,467</u>	<u>577,462</u>	<u>344,995</u>
EXPENDITURES			
Salaries	160,759	160,907	(148)
Benefits	15,446	126,754	(111,308)
Purchased services	52,262	51,988	274
Supplies and materials	4,000	4,799	(799)
On-behalf payments	-	268,536	(268,536)
	<u>232,467</u>	<u>612,984</u>	<u>(380,517)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>(35,522)</u>	<u>\$ (35,522)</u>
FUND BALANCE, July 1, 2004		<u>36,305</u>	
FUND BALANCE, June 30, 2005		<u>\$ 783</u>	

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 JUNE 30, 2005

	ROE/ISC Internal Review	Technology for Schools	Summer Bridges	Technology		Administrator's Academy	Title I Reading First Part B SEA Funds
				Enhancing Education Competitive	Enhancing Education Competitive		
				\$	\$		
Cash and cash equivalents (overdrafts)	(79)	40	99	44,082	44,082	(28)	88,472
Due from other governments	-	-	-	-	-	-	5,405
Total assets	(79)	40	99	44,082	44,082	(28)	93,877

ASSETS

Cash and cash equivalents (overdrafts)	(79)	40	99	44,082	44,082	(28)	88,472
Due from other governments	-	-	-	-	-	-	5,405
Total assets	(79)	40	99	44,082	44,082	(28)	93,877

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	-	-	-	-	-	-	23,677
Due to other governments	-	-	-	-	-	-	-
Deferred revenues	-	-	-	41,896	41,896	-	67,941
Total liabilities	-	-	-	41,896	41,896	-	91,618

FUND BALANCES

Fund balances (deficit), unreserved	(79)	40	99	2,186	2,186	(28)	2,259
TOTAL LIABILITIES AND FUND BALANCES	(79)	40	99	44,082	44,082	(28)	93,877

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2005

	ROE/ISC Technology	Regional Safe Schools	Truants Alternative/ Optional Education	Title IV Community Service	Total
ASSETS					
Cash and cash equivalents (overdrafts)	\$ 118	\$ 908,687	\$ 15,293	\$ -	\$ 1,056,684
Due from other governments	-	29,200	-	-	34,605
Total assets	118	937,887	15,293	-	1,091,289
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	-	261	15,293	-	39,231
Due to other governments	-	170,095	-	-	170,095
Deferred revenues	-	-	-	-	109,837
Total liabilities	-	170,356	15,293	-	319,163
FUND BALANCES					
Fund balances (deficit), unreserved	118	767,531	-	-	772,126
TOTAL LIABILITIES AND FUND BALANCES	\$ 118	\$ 937,887	\$ 15,293	\$ -	\$ 1,091,289

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2005

	ROE/ISC Internal Review	Technology for Schools	Summer Bridges	Technology			Title I	
				Enhancing Education	Competitive	Administrator's Academy	Reading First Part B	SEA Funds
REVENUES								
Federal revenue	\$ -	\$ -	\$ -	\$ 929,567	\$ -	\$ -	\$ -	\$ 383,390
State revenue	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Interest	-	63	-	930	-	-	-	965
Total revenues	-	63	-	930,497	-	-	-	384,355
EXPENDITURES								
Salaries	-	-	-	-	-	-	-	128,786
Benefits	-	-	-	-	-	-	-	24,237
Purchased services	-	-	-	189,477	-	-	-	43,106
Supplies and materials	-	-	-	1,305	-	-	-	5,783
Payment to other governments	-	-	-	738,785	-	-	-	180,344
Capital expenditures	-	-	-	-	-	-	-	1,134
Total expenditures	-	-	-	929,567	-	-	-	383,390
EXCESS OF REVENUES OVER EXPENDITURES	-	63	-	930	-	-	-	965
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	-	63	-	930	-	-	-	965
FUND BALANCES (DEFICIT), UNRESERVED BEGINNING OF YEAR	(79)	(23)	99	1,256	(28)			1,294
FUND BALANCES (DEFICIT), UNRESERVED END OF YEAR	\$ (79)	\$ 40	\$ 99	\$ 2,186	\$ (28)	\$	\$	\$ 2,259

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2005**

	ROE/ISC Technology	Regional Safe Schools	Truants Alternative/ Optional Education	Title IV Community Service	Total
REVENUES					
Federal revenue	\$ -	\$ 25,821	\$ -	\$ -	\$ 1,338,778
State revenue	-	1,082,835	150,620	1,914	1,235,369
Local sources	-	-	-	-	-
Interest	-	4,181	-	-	6,139
Total revenues	-	1,112,837	150,620	1,914	2,580,286
EXPENDITURES					
Salaries	-	-	120,349	-	249,135
Benefits	-	-	17,924	-	42,161
Purchased services	-	120,358	11,555	1,914	366,410
Supplies and materials	-	-	792	-	7,880
Payment to other governments	-	833,371	-	-	1,752,500
Capital expenditures	-	-	-	-	1,134
Total expenditures	-	953,729	150,620	1,914	2,419,220
EXCESS OF REVENUES OVER EXPENDITURES	-	159,108	-	-	161,066
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	-	159,108	-	-	161,066
FUND BALANCES (DEFICIT), UNRESERVED BEGINNING OF YEAR	118	608,423	-	-	611,060
FUND BALANCES (DEFICIT), UNRESERVED END OF YEAR	\$ 118	\$ 767,531	\$ -	\$ -	\$ 772,126

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2005

	Truntnis Alternative/Optional Education			Regional Safe Schools*			Technology - Enhancing Education-Competitive		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Federal sources	\$ -	\$ -	\$ -	\$ 1,019,200	\$ 25,821	\$ (993,379)	\$ 971,463	\$ 929,567	\$ (41,896)
State sources	150,620	150,620	-	1,082,835	1,082,835	1,082,835	-	-	-
Local sources	-	-	-	-	-	-	-	-	-
Interest	-	-	-	4,181	4,181	4,181	-	930	930
Total revenues	150,620	150,620	-	1,019,200	1,112,837	93,637	971,463	930,497	(40,966)
EXPENDITURES									
Salaries	120,349	120,349	-	-	-	-	-	-	-
Benefits	17,924	17,924	-	-	-	-	-	-	-
Purchased services	11,555	11,555	-	127,100	120,358	6,742	183,197	189,477	(6,280)
Supplies and materials	792	792	-	-	-	-	-	1,305	(1,305)
Payments to other governments	-	-	-	892,100	833,371	58,729	788,266	738,785	49,481
Capital expenditures	-	-	-	-	-	-	-	-	-
Total expenditures	150,620	150,620	-	1,019,200	953,729	65,471	971,463	929,567	41,896
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ 159,108	\$ 159,108	\$ -	\$ 930	\$ 930
FUND BALANCES, July 1, 2004									
				608,423				1,256	
FUND BALANCES, June 30, 2005					\$ 767,531			\$ 2,186	

*actual federal revenue includes General State Aid of \$25,821 (no budget for expenditures)

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2005

	Title I - Reading First Part B SEA Funds				Total	
	Budget	Actual	Variance Favorable (Unfavorable)	Budget		Actual
REVENUES						
Federal sources	\$ 447,776	\$ 383,390	\$ (64,386)	\$ 2,438,439	\$ 1,338,778	\$ (1,099,661)
State sources	-	-	-	150,620	1,233,455	1,082,835
Local sources	-	-	-	-	-	-
Interest	-	965	965	-	6,076	6,076
Total revenues	447,776	384,355	(63,421)	2,589,059	2,578,309	(10,750)
EXPENDITURES						
Salaries	154,808	128,786	26,022	275,157	249,135	26,022
Benefits	22,712	24,237	(1,525)	40,636	42,161	(1,525)
Purchased services	71,544	43,106	28,438	393,396	364,496	28,900
Supplies and materials	16,056	5,783	10,273	16,848	7,880	8,968
Payments to other governments	182,656	180,344	2,312	1,863,022	1,752,500	110,522
Capital expenditures	-	1,134	(1,134)	-	1,134	(1,134)
Total expenditures	447,776	383,390	64,386	2,589,059	2,417,306	171,753
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ 965	\$ 965	\$ -	\$ 161,003	\$ 161,003
FUND BALANCES, July 1, 2004		1,294			610,973	
FUND BALANCES, June 30, 2005		\$ 2,259			\$ 771,976	

SCHEDULE 7

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2005

	General Education Development	Bus Driver Training	Regional Board of School Trustees	Supervisory	Reading Recovery Installation Fees	Reading Recovery Operations	PASS (Positive Alternative Student Services) Foundation Fund
ASSETS							
Cash and cash equivalents	\$ 29,782	\$ 25,291	\$ 4,605	\$ 11	\$ 73,535	\$ 37,913	\$ 22,953
Investments	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Total assets	<u>29,782</u>	<u>25,291</u>	<u>4,605</u>	<u>11</u>	<u>73,535</u>	<u>37,913</u>	<u>22,953</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	-	-	-	-	-	-	-
FUND BALANCES							
Fund balances (deficit), unreserved	<u>29,782</u>	<u>25,291</u>	<u>4,605</u>	<u>11</u>	<u>73,535</u>	<u>37,913</u>	<u>22,953</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 29,782</u>	<u>\$ 25,291</u>	<u>\$ 4,605</u>	<u>\$ 11</u>	<u>\$ 73,535</u>	<u>\$ 37,913</u>	<u>\$ 22,953</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2005

	Distributive Interest	Workforce Development Department Summer Training and Education Program	Learning Technology Center	Institute Fund	PASS (Positive Alternative Student Services)	Total
ASSETS						
Cash and cash equivalents	\$ 2,180	\$ -	\$ 4,343	\$ 96,882	\$ 131,381	\$ 428,876
Investments	-	-	-	90,990	-	90,990
Accounts receivable	573	-	-	-	-	573
Due from other funds	-	-	-	43,114	-	43,114
Total assets	<u>2,753</u>	<u>-</u>	<u>4,343</u>	<u>230,986</u>	<u>131,381</u>	<u>563,553</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	-	94	4,343	-	-	4,437
FUND BALANCES						
Fund balances (deficit), unreserved	2,753	(94)	-	230,986	131,381	559,116
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,753</u>	<u>\$ -</u>	<u>\$ 4,343</u>	<u>\$ 230,986</u>	<u>\$ 131,381</u>	<u>\$ 563,553</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	General Education Development	Bus Driver Training	Regional Board of School Trustees	Supervisory	Reading Recovery Installation Fees	Reading Recovery Operations	PASS (Positive Alternative Student Services) Foundation Fund
REVENUES							
State revenue	\$ -	\$ 3,600	\$ -	\$ 1,000	\$ -	\$ 30,100	\$ -
Local revenue	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	450	98,830	116
Service	47,036	8,898	2,947	-	-	-	-
Other	-	-	-	-	-	-	-
Interest	192	161	-	3	-	356	141
Total revenues	47,228	12,659	2,947	1,003	450	129,286	257
EXPENDITURES							
Salaries	-	-	-	-	-	95,883	-
Benefits	-	-	-	-	-	16,374	-
Purchased services	41,868	11,632	2,812	1,070	-	18,906	-
Supplies and materials	2,429	1,901	-	-	-	7,193	-
Miscellaneous	3,142	105	425	-	-	-	-
Payment to other governments	-	-	-	-	-	18,700	-
Capital expenditure	-	-	-	-	-	-	-
Total expenditures	47,439	13,638	3,237	1,070	-	157,056	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(211)	(979)	(290)	(67)	450	(27,770)	257
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(344)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(211)	(979)	(290)	(67)	450	(27,770)	(87)
FUND BALANCES (DEFICIT), UNRESERVED, BEGINNING OF YEAR	29,993	26,270	4,895	78	73,085	65,683	23,040
FUND BALANCES (DEFICIT), UNRESERVED, END OF YEAR	\$ 29,782	\$ 25,291	\$ 4,605	\$ 11	\$ 73,535	\$ 37,913	\$ 22,953

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Distributive Interest	Workforce Development Department Summer Training and Education Program	Learning Technology Center	Institute Fund	PASS (Positive Alternative Student Services)	Total
REVENUES						
State revenue	\$ -	\$ 53,341	\$ 95,458	\$ -	\$ -	\$ 183,499
Local revenue	-	-	-	-	-	-
Intergovernmental Service	50	-	-	89,687	92,270	191,666
Other	-	-	-	100	-	148,618
Interest	1,617	-	-	3,054	-	100
Total revenues	1,667	53,341	95,458	92,841	92,270	529,407
EXPENDITURES						
Salaries	-	4,739	80,207	-	29,154	209,983
Benefits	-	859	7,001	-	1,520	25,754
Purchased services	1,562	47,354	8,250	2,743	11,695	147,892
Supplies and materials	-	514	-	294	4,482	16,813
Miscellaneous	1,712	-	-	1,094	-	6,478
Payment to other governments	-	-	-	87,049	-	105,749
Capital expenditure	-	-	-	1,448	-	1,448
Total expenditures	3,274	53,466	95,458	92,628	46,851	514,117
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,607)	(125)	-	213	45,419	15,290
OTHER FINANCING SOURCES (USES)						
Transfers in	-	344	-	-	-	344
Transfers out	-	-	-	-	-	(344)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(1,607)	219	-	213	45,419	15,290
FUND BALANCES (DEFICIT), UNRESERVED, BEGINNING OF YEAR	4,360	(313)	-	230,773	85,962	543,826
FUND BALANCES (DEFICIT), UNRESERVED, END OF YEAR	\$ 2,753	\$ (94)	\$ -	\$ 230,986	\$ 131,381	\$ 559,116

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 BUDGETARY COMPARISON SCHEDULE
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	Reading Recovery Operations			Learning Technology Center		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State sources	\$ 30,100	\$ 30,100	\$ -	\$ 95,458	\$ 95,458	\$ -
Local sources	-	98,830	98,830	-	-	-
Intergovernmental	-	356	356	-	-	-
Interest	-	-	-	-	-	-
Total revenues	<u>30,100</u>	<u>129,286</u>	<u>99,186</u>	<u>95,458</u>	<u>95,458</u>	<u>-</u>
EXPENDITURES						
Salaries	9,000	95,883	(86,883)	79,480	80,207	(727)
Benefits	-	16,374	(16,374)	7,714	7,001	713
Purchased services	15,850	18,906	(3,056)	8,264	8,250	14
Supplies and materials	5,250	7,193	(1,943)	-	-	-
Payments to other governments	-	18,700	(18,700)	-	-	-
Total expenditures	<u>30,100</u>	<u>157,056</u>	<u>(126,956)</u>	<u>95,458</u>	<u>95,458</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>(27,770)</u>	<u>\$ (27,770)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES, July 1, 2004		<u>65,683</u>				
FUND BALANCES, June 30, 2005	<u>\$ -</u>	<u>37,913</u>		<u>\$ -</u>	<u>\$ -</u>	

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
BUDGETARY COMPARISON SCHEDULE
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Total</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
State sources	\$ 125,558	\$ 125,558	\$ -
Local sources			
Intergovernmental	-	98,830	98,830
Interest	-	356	356
Total revenues	<u>125,558</u>	<u>224,744</u>	<u>99,186</u>
EXPENDITURES			
Salaries	88,480	176,090	(87,610)
Benefits	7,714	23,375	(15,661)
Purchased services	24,114	27,156	(3,042)
Supplies and materials	5,250	7,193	(1,943)
Payments to other governments	-	18,700	(18,700)
Total expenditures	<u>125,558</u>	<u>252,514</u>	<u>(126,956)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>(27,770)</u>	<u>\$ (27,770)</u>
FUND BALANCES, July 1, 2004		<u>65,683</u>	
FUND BALANCES, June 30, 2005	<u>\$</u>	<u>37,913</u>	

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 10

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2005</u>
ASSETS				
Cash and cash equivalents	\$ 806	\$ 3,349,804	\$ 3,349,460	\$ 1,150
Accounts receivable	5	-	5	-
	<u>811</u>	<u>3,349,804</u>	<u>3,349,465</u>	<u>1,150</u>
LIABILITIES				
Distributives payable	<u>\$ 811</u>	<u>\$ 3,349,804</u>	<u>\$ 3,349,465</u>	<u>\$ 1,150</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
 DISTRIBUTIVE FUND
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 11

	<u>Regional Superintendent of Schools</u>	<u>Education Service Center</u>	<u>Truancy Alternative Program</u>	<u>Total</u>
General State Aid - Sec. 18-8	\$ 154,926	\$ -	\$ -	\$ 154,926
School Bus Driver Training	3,600	-	-	3,600
Truants Alternative/Optional Education	-	-	168,533	168,533
ROE Safe Schools Program	1,162,161	-	-	1,162,161
K-6 Reading Improvement-R.R.	30,250	-	-	30,250
ROE/ISC Operations	-	232,467	-	232,467
Supervisory	1,000	-	-	1,000
Technology - Learning Technology Center	-	95,458	-	95,458
Title I - Reading First Part B SEA Funds	-	459,754	-	459,754
Title IV - Community Service	51,405	-	-	51,405
Technology - Enhancing Education - Competitive	-	989,906	-	989,906
Total	\$ 1,403,342	\$ 1,777,585	\$ 168,533	\$ 3,349,460

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 12

Federal Grantor/Pass-Through Grantor Program/Grant Title		CFDA Number	Pass-Through Number	FY 2005 Expenditures
DEPARTMENT OF EDUCATION				
Reading First State Grants				
Passed-Through Illinois State Board of Education				
<i>Title I - Reading First Part B SEA Funds</i>	(M)	84.357A	05-4337-00	\$ 37,081
<i>Title I - Reading First Part B SEA Funds</i>	(M)	84.357A	04-4337-01	2,978
<i>Title I - Reading First Part B SEA Funds</i>	(M)	84.357A	05-4337-01	150,000
<i>Title I - Reading First Part B SEA Funds</i>	(M)	84.357A	05-4337-02	40,981
<i>Title I - Reading First Part B SEA Funds</i>	(M)	84.357A	05-4337-04	152,350
				<u>383,390</u>
Education Technology State Grants				
Passed-Through Illinois State Board of Education				
<i>Technology - Enhancing Education - Competitive</i>	(M)	84.318X	05-4972-00	<u>929,567</u>
State Grants for Innovative Program				
Passed-Through Will County Regional Office of Education No. 56				
<i>Title V - Innovative Programs - SEA Projects</i>		84.298A	2005-4105-SS	<u>9,000</u>
Title I Grants to Local Educational Agencies				
Passed-Through Will County Regional Office of Education No. 56				
<i>Title I - School Improvement & Accountability</i>	(M)	84.010A	2005-4331-SS	<u>373,883</u>
Improving Teacher Quality State Grants				
Passed-Through Will County Regional Office of Education No. 56				
<i>Title II - Teacher Quality - Leadership Grant</i>		84.367A	2005-4935-SS	<u>28,462</u>
TOTAL DEPARTMENT OF EDUCATION				<u>\$ 1,724,302</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Temporary Assistance for Needy Families				
Passed-Through Illinois State Board of Education				
<i>Regional Safe Schools - General State Aid - Sec. 18-8 (TANF)</i>		93.558	05-3001-93	<u>\$ 25,821</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>\$ 25,821</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 1,750,123</u>

(M) Program was audited as major program

The accompanying notes are an integral part of this schedule.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2005**

Note 1. Reporting Entity Basis of Presentation and Accounting

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

Note 2. Subrecipients

The Lake County Regional Office of Education No. 34 provided federal awards totaling \$176,656 to the following:

Subrecipient	Title I - Reading First Part B SEA Funds (CFDA #84.357A)
Kane County Regional Office of Education No. 31	\$ 110,000
Will County Regional Office of Education No. 56	66,656
Total	\$ 176,656

Note 3. Description of Major Federal Programs

The Title I - Reading First Part B SEA Funds focus on putting proven methods of early reading instruction for students enrolled in kindergarten through grade three. Funds support increased professional development to ensure that all teachers have the skills they need to teach these programs effectively. The program also supports the use of screening and diagnostic tools and classroom-based instructional reading assessments to measure how well students are reading and to monitor their progress.

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

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

Note 4. Non-Cash Assistance

Not Applicable.

Note 5. Amount of Insurance

Not Applicable.

Note 6. Loans or Loan Guarantees Outstanding

Not Applicable.