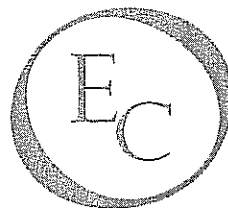


**STATE OF ILLINOIS
LAKE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 34**

**FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
FOR THE YEAR ENDED JUNE 30, 2008**

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



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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

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LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

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

Regional Superintendent
(current and during the audit period)

Dr. Roycealee J. Wood

Assistant Regional Superintendent
(current and during the audit period)

Mr. Gary E. Pickens

Office is located at:

800 Lancer Lane
Grayslake, Illinois 60030-2656

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

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	1	2
Repeated audit findings	-	-
Prior recommendations implemented or not repeated	2	1

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i>			
08-1	12	Inadequate Controls Over Purchased Services Expenditures	Significant Deficiency and Noncompliance
<i>FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)</i>			
	14	None	N/A
<i>PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)</i>			
07-1	16	Failure to Apply Appropriate Accounting Principles	N/A
07-2	16	Unrecorded and Unreconciled Bank Accounts	N/A
<i>PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)</i>			
		None	N/A

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
COMPLIANCE REPORT SUMMARY - CONTINUED**

EXIT CONFERENCE

The Lake County Regional Office of Education No. 34 opted not to have an exit conference during the financial audit for the year ended June 30, 2008. The response to the recommendation was provided by Dr. Roycealee Wood, Regional Superintendent in a letter dated April 17, 2009.

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' Report 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

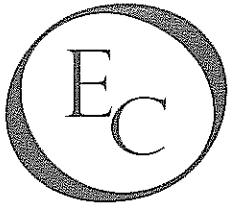
Findings and Recommendations

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 of Education No. 34 was performed by E. C. Ortiz & Co., LLP.

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



INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake County Regional Office of Education No. 34, as of and for the year ended June 30, 2008, 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 in 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 29, 2009 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

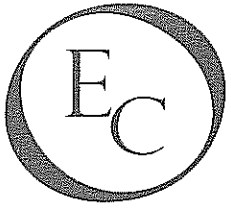
performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 17 through 22 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

E. C. Ortig & Co., LLP

Chicago, Illinois
June 29, 2009



**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, 2008, which collectively comprise the Lake County Regional Office of Education No. 34's basic financial statements and have issued our report thereon dated June 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lake County Regional Office of Education No. 34's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Lake County Regional Office of Education No. 34's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lake County Regional Office of Education No. 34's internal control over financial reporting.

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

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

generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting, 08-1.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

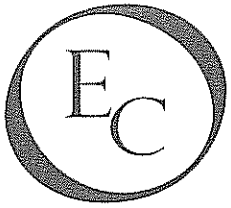
As part of obtaining reasonable assurance about whether the Lake County Regional Office of Education No. 34's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item, 08-1.

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

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

E. C. Ortiz & Co., LLP

Chicago, Illinois
June 29, 2009



**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, 2008. The Lake County Regional Office of Education No. 34's major federal programs are identified in the Summary of the Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Lake County Regional Office of Education No. 34's management. Our responsibility is to express an opinion on the Lake County Regional Office of Education No. 34's compliance based on our audit.

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

In our opinion, the Lake County Regional Office of Education No. 34 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Lake County Regional Office of Education No. 34 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Lake County Regional Office of Education No. 34's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lake County Regional Office of Education No. 34's internal control over compliance.

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

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

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

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

E. C. Ortiz & Co., LLP

Chicago, Illinois
June 29, 2009

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Part I: Summary of the Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes ✓ No

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

84.010A

Title I - School Improvement and Accountability

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

Auditee qualified as low-risk auditee? ✓ Yes No

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Part II: Findings Related to the Basic Financial Statements

FINDING NO. 08-1 - Inadequate Controls Over Purchased Services Expenditures

Criteria/Specific Requirement:

Good internal controls require that all contracts be executed prior to services being performed and payments being made to contractors.

Office of Management and Budget (OMB) Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*, Attachment A - General Principles for Determining Allowable Costs, Section C. 1. (j) states that for costs to be allowable, they must be adequately documented. In addition, OMB Circular A-87 Attachment B - Selected Items of Cost, Section 32 (a) and (b. 8.) states that costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the organization, are allowable. In determining allowability, certain factors such as the adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions) should be considered.

Condition:

Our review of expenditures disclosed that ROE No. 34 did not maintain adequate controls over purchased services expenditures. The ROE No. 34 failed to execute a written contract for one (1) of eight (8) (12.5%) program consultants which should have documented the scope and description of services to be provided to the ROE, as well as the schedule of fees to be paid. The related purchased services expenditures amounted to \$55,154. These were paid out of Pre-school Monitoring Grant (\$40,259), Reading Recovery Grant (\$8,894), and McKinney Education for Homeless Children (\$6,001).

Effect:

Failure to execute contracts with independent contractors may result in services being provided that are inconsistent with program goals and activities, inadequate protection of the Regional Office's interests, and the incurring of unallowable costs. In addition, inadequate supporting documents do not provide sufficient evidence for the validity and accuracy of the payments processed, thereby increasing the risk that unauthorized disbursements may be made.

Cause:

According to the ROE No. 34 management, the ROE overlooked the requirement to execute a written contract with the independent consultant.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

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

**FINDING NO. 08-1 - Inadequate Controls Over Purchased Services Expenditures
(Continued)**

Auditors' Recommendation:

The Lake County Regional Office of Education No. 34 should ensure that all costs charged to the different programs are sufficiently documented and adequately supported. ROE No. 34 should require all consultant agreements to be supported by a written contract with detailed scope of services and rates of compensation.

Management's Response:

We agree with the finding. Contracts for said vendor have been developed, issued, and signed.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NONCOMPLIANCE:

None

SIGNIFICANT DEFICIENCY:

None

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2008**

FINDING NO. 08-1 - Inadequate Controls Over Purchased Services Expenditures

Condition:

Our review of expenditures disclosed that ROE No. 34 did not maintain adequate controls over purchased services expenditures. The ROE No. 34 failed to execute a written contract for one (1) of eight (8) (12.5%) program consultants which should have documented the scope and description of services to be provided to the ROE, as well as the schedule of fees to be paid. The related purchased services expenditures amounted to \$55,154. These were paid out of Pre-school Monitoring Grant (\$40,259), Reading Recovery Grant (\$8,894), and McKinney Education for Homeless Children (\$6,001).

Plan:

Contracts for said vendor have been developed, issued, and signed.

Anticipated Date of Completion:

Done

Name of Contact Person:

Ms. Roycealee Woods, Regional Superintendent, ROE No. 34.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
07-1	Failure to Apply Appropriate Accounting Principles	Resolved
07-2	Unrecorded and Unreconciled Bank Accounts	Resolved

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

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, 2008 with comparative information for the year ended June 30, 2007. Readers are encouraged to consider the information in conjunction with the ROE No. 34's basic financial statements.

2008 Financial Highlights

- Within the Governmental Funds, the General Fund revenues increased by \$2,540 (less than 1%) from \$753,791 in FY 2007 to \$756,331 in fiscal year 2008. General Fund expenditures decreased by \$20,773 (3%) from \$774,725 in FY 2007 to \$753,952 in FY 2008.
- Within the Governmental Funds, the Special Revenue Fund revenues increased by \$416,990 (9%) from \$4,510,457 in FY 2007 to \$4,927,447 in FY 2008. The Special Revenue Fund expenditures increased by \$380,707 (9%) from \$4,394,156 in FY 2007 to \$4,774,863 in FY 2008.
- The Proprietary Fund revenues increased by \$23,981 (7%) from \$361,972 in FY 2007 to \$385,953 in FY 2008. The Proprietary Fund expenditures decreased by \$192,047 (35%) from \$550,513 in FY 2007 to \$358,466 in FY 2008.

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, 2008**

Reporting the Lake County's Regional Office as a Whole

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

The Statement of Net Assets and the Statement of Activities

Government-wide Financial Statements

The Government-wide financial statements report information about the ROE No. 34 as a whole. The Statement of Net Assets includes all of the assets and liabilities. 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 financial 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 health or position.

- Over time, increases or decreases in the net assets can be an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Regional Office's overall health, 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 ROE No. 34's funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by State law. 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, 2008**

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 2008 and FY 2007 totaled \$2,303,036 and \$2,121,210, respectively. The analysis that follows provides a summary of the ROE No. 34's net assets as of June 30.

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
ASSETS						
Current assets	\$ 3,108,820	\$ 3,411,316	\$ (235,695)	\$ (221,471)	\$ 2,873,125	\$ 3,189,845
Capital assets, net of depreciation	75,532	105,411	3,272	5,205	78,804	110,616
TOTAL ASSETS	3,184,352	3,516,727	(232,423)	(216,266)	2,951,929	3,300,461
LIABILITIES						
Current liabilities	651,602	1,093,363	(37,984)	19,350	613,618	1,112,713
Noncurrent liabilities	35,275	66,538	-	-	35,275	66,538
TOTAL LIABILITIES	686,877	1,159,901	(37,984)	19,350	648,893	1,179,251
NET ASSETS						
Invested in capital assets net of related debt	8,994	9,618	3,272	5,205	12,266	14,823
Restricted for teacher professional development	399,214	251,448	-	-	399,214	251,448
Unrestricted	2,089,267	2,095,760	(197,711)	(240,821)	1,891,556	1,854,939
TOTAL NET ASSETS	\$ 2,497,475	\$ 2,356,826	\$ (194,439)	\$ (235,616)	\$ 2,303,036	\$ 2,121,210

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

The ROE No. 34's net assets increased by \$181,826 (9%) from FY 2007. The increase occurred primarily in the Institute Funds and Educational Services Division Local Operations. In addition, net assets related to the Teacher Institute Fund are considered restricted for teacher professional development.

CHANGES IN NET ASSETS

The following analysis shows the changes in net assets for the years ended June 30, 2008 and 2007.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 1,100,450	\$ 1,214,876	\$ 384,799	\$ 361,284	\$ 1,485,249	\$ 1,576,160
Operating grants and contributions	3,769,332	3,215,119	-	-	3,769,332	3,215,119
General revenues:						
State and local sources	452,142	462,924	-	-	452,142	462,924
Interest income	65,483	92,002	1,154	688	66,637	92,690
On-behalf payments	296,371	279,327	-	-	296,371	279,327
Total revenues	5,683,778	5,264,248	385,953	361,972	6,069,731	5,626,220
Expenses:						
Salaries	1,741,306	1,981,566	107,767	203,321	1,849,073	2,184,887
Benefits	469,076	365,804	90,894	97,274	559,970	463,078
Purchased services	1,562,777	1,564,798	112,089	197,193	1,674,866	1,761,991
Supplies and materials	143,975	105,201	33,744	34,393	177,719	139,594
Capital expenditures	16,510	41,340	2,056	377	18,566	41,717
Depreciation	35,397	56,871	1,933	2,576	37,330	59,447
Payments to other governmental units	1,238,959	651,288	-	-	1,238,959	651,288
Miscellaneous	25,068	37,943	9,983	15,379	35,051	53,322
On-behalf payments	296,371	279,327	-	-	296,371	279,327
Total expenses	5,529,439	5,084,138	358,466	550,513	5,887,905	5,634,651
Income (loss) before other financing sources (uses)	154,339	180,110	27,487	(188,541)	181,826	(8,431)
Other financing sources (uses):						
Transfer in (out)	(13,690)	(43,484)	13,690	43,484	-	-
Change in net assets	140,649	136,626	41,177	(145,057)	181,826	(8,431)
Net assets, beginning	2,356,826	2,220,200	(235,616)	(90,559)	2,121,210	2,129,641
Net assets, ending	\$ 2,497,475	\$ 2,356,826	\$ (194,439)	\$ (235,616)	\$ 2,303,036	\$ 2,121,210

Governmental Activities

In FY 2008, revenues and expenses for governmental fund activities increased by \$419,530 and \$359,934, respectively. Institute Fund revenues increased by about \$174,201 due mainly

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

to deferred revenue in prior year realized in FY 2008. The Regional Safe Schools program revenues increased by \$449,963 due to the increase in the funding level per student in FY 2008. Reading Recovery Operations revenues increased by \$85,634 mainly due to a unit district that rejoined in the program. Program expenditures were increased proportionally based on the funding level.

Business-Type Activities

In FY 2008, revenues for business-type activities slightly increased by \$23,981 while expenses decreased by \$192,047. Revenue from workshop activities increased by \$70,252 due to higher number of enrollees and workshops conducted in FY 2008. This was significantly offset by decreased revenue from Fingerprinting Assessment amounting to \$50,607. The decrease in proprietary funds expenses was mostly due to decrease in salaries and purchased services related to workshop activities.

Financial Analysis of the ROE No. 34 Funds

As previously noted, the ROE No. 34 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The ROE's Governmental Funds reported combined fund balances of \$2,504,701.

Governmental Fund Highlights

- The dollar return on investments (certificate of deposit, short-term investments and interest earned on a float), remained minimal because of continuing low interest rates.
- The State aid foundation level has increased to \$5,734 per student.

Proprietary Fund Highlights

Total proprietary fund net assets increased by \$41,177 (17%). The increase is mainly from net revenue on Differentiated Instruction Workshop which was launched in FY 2008. In addition, expenditures of Language/Arts and Administrators Academy workshops decreased proportionally to the level of workshop fees.

Fiduciary Fund Highlights

There was no significant movement in fiduciary funds for FY 2008. Transactions during FY 2008 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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

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 accumulated over time. For FY 2008, additions amounted to \$5,518 and retirements amounted to \$0. The depreciation expense for FY 2008 was \$37,330.

Economic Factors and Next Years' Budget

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

- Most federal and State grants have remained near or at previous levels.
- County Board support for Regional Office of Education No. 34 remains the same for FY 2009.

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, 2008

EXHIBIT A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents (overdrafts)	\$ 2,334,401	\$ (246,926)	\$ 2,087,475
Investments	478,278	-	478,278
Accounts receivable	37,752	11,231	48,983
Due from other governments	258,389	-	258,389
Total current assets	<u>3,108,820</u>	<u>(235,695)</u>	<u>2,873,125</u>
Noncurrent assets			
Capital assets, net	<u>75,532</u>	<u>3,272</u>	<u>78,804</u>
TOTAL ASSETS	<u>3,184,352</u>	<u>(232,423)</u>	<u>2,951,929</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	122,040	5,500	127,540
Due to (from) other funds	43,484	(43,484)	-
Due to other governments	331,587	-	331,587
Deferred revenues	123,228	-	123,228
Leases payable	31,263	-	31,263
Total current liabilities	<u>651,602</u>	<u>(37,984)</u>	<u>613,618</u>
Noncurrent liabilities			
Leases payable	<u>35,275</u>	<u>-</u>	<u>35,275</u>
TOTAL LIABILITIES	<u>686,877</u>	<u>(37,984)</u>	<u>648,893</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,994	3,272	12,266
Restricted for teacher professional development	399,214	-	399,214
Unrestricted	<u>2,089,267</u>	<u>(197,711)</u>	<u>1,891,556</u>
TOTAL NET ASSETS	<u>\$ 2,497,475</u>	<u>\$ (194,439)</u>	<u>\$ 2,303,036</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, 2008

EXHIBIT B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contribution	Primary Government		Total
Governmental Activities				Business-Type Activities		
FUNCTIONS/PROGRAMS						
Primary government						
Governmental activities:						
Instructional services						
Salaries	\$ 1,741,306	\$ 338,726	\$ 1,160,227	\$ (242,353)	\$ -	\$ (242,353)
Benefits	469,076	98,453	337,229	(33,394)	-	(33,394)
Purchased services	1,562,777	337,149	1,154,823	(70,805)	-	(70,805)
Supplies and materials	143,975	28,445	97,432	(18,098)	-	(18,098)
Miscellaneous	25,068	5,777	19,789	498	-	498
Payments to other governments	1,238,959	285,540	978,049	24,630	-	24,630
Capital expenditures	16,510	6,360	21,783	11,633	-	11,633
Depreciation	35,397	-	-	(35,397)	-	(35,397)
Administrative						
On-behalf payments	296,371	-	-	(296,371)	-	(296,371)
Total governmental activities	5,529,439	1,100,450	3,769,332	(659,657)	-	(659,657)
Business-type activities:						
Professional development	358,466	384,799	-	-	26,333	26,333
Total business-type activities	358,466	384,799	-	-	26,333	26,333
Total primary government	\$ 5,887,905	\$ 1,485,249	\$ 3,769,332	(659,657)	26,333	(633,324)
General revenues						
Local sources:						
Intergovernmental				172,521	-	172,521
Fees for services				1,479	-	1,479
Interest income				65,483	1,154	66,637
State sources				278,142	-	278,142
On-behalf payments				296,371	-	296,371
Transfers				(13,690)	13,690	-
Total general revenues and transfers				800,306	14,844	815,150
Change in net assets				140,649	41,177	181,826
Net assets - beginning				2,356,826	(235,616)	2,121,210
Net assets - ending				\$ 2,497,475	\$ (194,439)	\$ 2,303,036

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2008

EXHIBIT C

	General		Education Fund		Educational Services Division		Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds	
ASSETS										
Cash and cash equivalents (overdrafts)	\$	735,628	\$	1,236,398	\$	(162,998)	\$	296,346	\$	2,334,401
Investments	-	-	350,000	-	-	-	103,241	-	25,037	478,278
Accounts receivable	2,273	-	22,500	8,342	-	-	-	4,637	-	37,752
Due from other funds	3,397	-	-	-	-	-	-	-	-	3,397
Due from other governments	-	-	64,365	165,910	-	-	-	28,114	-	258,389
TOTAL ASSETS		741,298		1,673,263		11,254		399,587		3,112,217
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable and accrued expenses	10,032	-	105,173	4,862	-	-	373	-	1,600	122,040
Due to other governments	-	-	303,500	16,220	-	-	-	-	11,867	331,587
Due to other funds	43,484	-	-	3,397	-	-	-	-	-	46,881
Deferred revenues	57,582	-	65,646	-	-	-	-	-	-	123,228
Total liabilities	111,098	-	474,319	24,479	-	-	373	-	13,467	623,736
FUND BALANCES										
Unreserved, reported in:										
General fund	630,200	-	-	-	-	-	-	-	-	630,200
Special revenue funds	-	-	1,198,944	(13,225)	-	-	399,214	273,348	-	1,858,281
Total fund balances	630,200	-	1,198,944	(13,225)	-	-	399,214	273,348	-	2,488,481
TOTAL LIABILITIES AND FUND BALANCES		741,298		1,673,263		11,254		399,587		3,112,217

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

EXHIBIT D

Total fund balances - governmental funds		\$ 2,488,481
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	75,532	
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(66,538)</u>	<u>8,994</u>
Net assets of governmental activities		<u><u>\$ 2,497,475</u></u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

EXHIBIT E

	General	Education Fund	Educational Services Division	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
REVENUES						
Federal sources	\$ -	\$ 58,641	\$ 791,138	\$ -	\$ -	\$ 849,779
State sources	278,142	2,543,555	181,753	-	194,245	3,197,695
Local sources:						
Intergovernmental	172,521	-	-	-	-	172,521
Fees for services	1,479	573,099	5,385	214,218	285,599	1,079,780
Others	-	22,149	-	-	-	22,149
Interest income	7,818	10,203	-	12,994	34,468	65,483
On-behalf payments	296,371	-	-	-	-	296,371
Total revenues	756,331	3,207,647	978,276	227,212	514,312	5,683,778
EXPENDITURES						
Instructional services:						
Salaries	271,569	730,239	590,190	-	149,308	1,741,306
Benefits	41,886	339,967	63,706	-	23,517	469,076
Purchased services	99,886	1,030,789	224,654	8,004	199,444	1,562,777
Supplies and materials	20,551	17,650	62,324	1,047	42,403	143,975
Payments to other governments	-	1,124,405	55,339	51,000	8,215	1,238,959
On-behalf payments	296,371	-	-	-	-	296,371
Miscellaneous	-	1,438	-	15,567	8,063	25,068
Capital expenditures	23,689	20,996	-	3,828	2,770	51,283
Total expenditures	753,952	3,265,484	996,213	79,446	433,720	5,528,815
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,379	(57,837)	(17,937)	147,766	80,592	154,963
OTHER FINANCING SOURCES (USES)						
Transfers in (out)	86,325	381	(14,285)	-	(86,111)	(13,690)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	88,704	(57,456)	(32,222)	147,766	(5,519)	141,273
FUND BALANCES, BEGINNING OF YEAR	541,496	1,256,400	18,997	251,448	278,867	2,347,208
FUND BALANCES, END OF YEAR	\$ 630,200	\$ 1,198,944	\$ (13,225)	\$ 399,214	\$ 273,348	\$ 2,488,481

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

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

EXHIBIT F

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Net change in fund balances \$ 141,273

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

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

Capital expenditures	\$ 34,773	
Depreciation expense	<u>(35,397)</u>	<u>(624)</u>

Change in net assets of governmental activities \$ 140,649

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2008**

EXHIBIT G

	Business Type Activities - Enterprise Funds			Total
	Education Services Division	PASS (Positive Alternative Student Services)	Fingerprinting Assessment	
ASSETS				
Current assets				
Cash and cash equivalents (overdrafts)	\$ (316,430)	\$ 2,308	\$ 67,196	\$ (246,926)
Accounts receivable	11,231	-	-	11,231
Due from other funds	43,484	-	-	43,484
Total current assets	<u>(261,715)</u>	<u>2,308</u>	<u>67,196</u>	<u>(192,211)</u>
Noncurrent assets				
Capital assets, net	-	-	3,272	3,272
TOTAL ASSETS	<u>(261,715)</u>	<u>2,308</u>	<u>70,468</u>	<u>(188,939)</u>
LIABILITIES				
Accounts payable and accrued expenses	5,500	-	-	5,500
TOTAL LIABILITIES	<u>5,500</u>	<u>-</u>	<u>-</u>	<u>5,500</u>
NET ASSETS				
Invested in capital assets	-	-	3,272	3,272
Unrestricted	(267,215)	2,308	67,196	(197,711)
TOTAL NET ASSETS	<u>\$ (267,215)</u>	<u>\$ 2,308</u>	<u>\$ 70,468</u>	<u>\$ (194,439)</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

EXHIBIT H

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	Business Type Activities - Enterprise Funds			Total
	Education Services Division	PASS (Positive Alternative Student Services)	Fingerprinting Assessment	
OPERATING REVENUES				
Fees for services	\$ 329,053	\$ 3,870	\$ 51,876	\$ 384,799
OPERATING EXPENSES				
Salaries	107,767	-	-	107,767
Benefits	90,894	-	-	90,894
Purchased services	92,030	-	20,059	112,089
Supplies and materials	31,755	1,562	427	33,744
Miscellaneous	9,933	-	50	9,983
Capital expenditures	2,056	-	-	2,056
Depreciation	-	-	1,933	1,933
Total operating expenses	334,435	1,562	22,469	358,466
OPERATING INCOME (LOSS)	(5,382)	2,308	29,407	26,333
NONOPERATING REVENUES				
Interest income	-	-	1,154	1,154
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(5,382)	2,308	30,561	27,487
OPERATING TRANSFERS				
Transfers in (out)	21,706	(8,016)	-	13,690
CHANGE IN NET ASSETS	16,324	(5,708)	30,561	41,177
NET ASSETS, BEGINNING OF YEAR	(283,539)	8,016	39,907	(235,616)
NET ASSETS, END OF YEAR	\$ (267,215)	\$ 2,308	\$ 70,468	\$ (194,439)

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2008**

EXHIBIT I

	Business Type Activities - Enterprise Funds			
	Education Services Division	PASS (Positive Alternative Student Services)	Fingerprinting Assessment	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for workshops and services	\$ 322,412	\$ 3,870	\$ 55,553	\$ 381,835
Payments to suppliers and providers of goods and services	(193,108)	(1,562)	(20,536)	(215,206)
Payments to employees	(198,661)	-	-	(198,661)
Net cash provided by (used) in operating activities	(69,357)	2,308	35,017	(32,032)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest	-	-	1,154	1,154
Transfers from (to) other funds	21,706	(8,016)	-	13,690
Net cash provided by (used) in investing activities	21,706	(8,016)	1,154	14,844
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (OVERDRAFTS)	(47,651)	(5,708)	36,171	(17,188)
CASH AND CASH EQUIVALENTS (OVERDRAFTS), BEGINNING OF YEAR	(268,779)	8,016	31,025	(229,738)
CASH AND CASH EQUIVALENTS (OVERDRAFTS), END OF YEAR	<u>\$ (316,430)</u>	<u>\$ 2,308</u>	<u>\$ 67,196</u>	<u>\$ (246,926)</u>
Reconciliation of operating income (loss) to net cash provided by (used) in operating activities:				
Operating income (loss)	\$ (5,382)	\$ 2,308	\$ 29,407	\$ 26,333
Adjustments to reconcile operating income (loss) to net cash provided by (used) in operating activities:				
Depreciation expense	-	-	1,933	1,933
Effects of changes in assets and liabilities:				
Accounts receivable	(6,641)	-	3,677	(2,964)
Due to other government	(60,426)	-	-	(60,426)
Accounts payable and accrued expenses	3,289	-	-	3,289
Due from (to) other funds	(197)	-	-	(197)
Net cash provided by (used) in operating activities	<u>\$ (69,357)</u>	<u>\$ 2,308</u>	<u>\$ 35,017</u>	<u>\$ (32,032)</u>

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008**

EXHIBIT J

ASSETS

Cash and cash equivalents	<u>\$ 2,744</u>
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LIABILITIES

Distributive payable	<u>\$ 2,744</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, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

A. Reporting Entity

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

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

The financial statements of the Lake County Regional Office of Education No. 34 have been prepared in conformity with the Generally Accepted Accounting Principles (GAAP) as applied to governmental units.

B. Criteria Used to Determine the Scope of Entity

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

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

Blended Component Units

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

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

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

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

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

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

Lake County Regional Office of Education No. 34 provides administrative support for the Regional Board of School Trustees from its Grayslake Office. The Lake County

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Regional Office of Education No. 34's Regional Superintendent of Schools serves as Ex-Officio Secretary of the Board.

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

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

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

C. New Accounting Pronouncements

Effective July 1, 2007, the Lake County Regional Office of Education No. 34 adopted the following accounting pronouncements:

- GASB Statement No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and 27*, which aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This statement amends applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*.
- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which establishes criteria to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing.

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

D. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

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

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

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

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

F. Fund Accounting

The accounts of the Lake County Regional Office of Education No. 34 are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. The Lake

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County Regional Office of Education No. 34 maintains individual funds as required by the State of Illinois. The resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following summarizes the fund types used:

Governmental Fund Types

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

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

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

ROE/ISC Internal Review - Used 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 - Used to account for the revenues and expenditures used for improving the network system performance and upgrading of the

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

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

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

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

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

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

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

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

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

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

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. All funds generated remain restricted until expended only on the aforementioned activities.

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

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

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

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

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

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

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

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

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

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

Pre-School Monitoring - Used to account for reimbursement of personnel who evaluate pre-schools that receive funds from the universal pre-school program initiated in 2007 by the Governor's office.

Proprietary Fund Types

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

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

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

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

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Fiduciary Fund Type

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

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

G. Revenues - Exchange and Non-exchange Transactions

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

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

H. Disposition of Distributive Fund Interest

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

I. License and Permits

Teacher certification, license and permit revenues are recognized in the year for which the licenses and permits are issued.

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J. Capital Assets

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

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

K. Deferred Revenues

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

L. Management Estimates

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

M. Investments and Cash Accounts

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

N. Revenues from Federal and State Grants

Revenues from Federal and State grant awards are recorded net of the amount due to the State for the unused portion of the grant or the amount carried over to the following fiscal

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

O. Budgetary Data

The Lake County Regional Office of Education No. 34 did not formally adopt a budget for the year ended June 30, 2008 and is not legally required to do so. The Illinois State Board of Education and other federal grantors require budgets for certain State and Federal programs. These budgets were used to prepare Budgetary Comparison Schedules for the following programs:

General Fund

- ROE/ISC Operations

Special Revenue Funds

- Education Fund
 - Truants Alternative/Optional Education
 - Regional Safe Schools
 - Teacher Mentoring Pilot
- Nonmajor Special Revenue Funds
 - Reading Recovery Operations
 - Learning Technology Center

NOTE 2 - CASH AND INVESTMENTS

Deposits

The Lake County Regional Office of Education No. 34 utilizes several different bank accounts for its various activities. The book balance of such accounts is \$2,085,189 at June 30, 2008, while the bank balance was \$2,778,027. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2008. Of the total bank balance as of June 30, 2008, \$100,000 was secured by federal depository insurance or collateral held by the ROE No. 34 in its name and \$2,678,027 was collateralized by security pledged by the ROE No. 34's financial institution on behalf of the ROE No. 34.

Investments

The ROE No. 34's established investment policy follows the State of Illinois Public Funds Investment Act which authorizes the ROE No. 34 to purchase certain obligations of the U.S. Treasury, federal agencies and instrumentalities; certificates of deposit and time deposits

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covered by Federal depository insurance; commercial paper of U.S. corporations with assets exceeding \$500,000,000, if such paper is rated at the highest classification established by at least two standard rating services; money market funds and the Illinois Funds.

As of June 30, 2008, the ROE No. 34 had investments with carrying and fair values of \$483,308 and \$484,844 invested in the Illinois Funds money market and certificates of deposits, respectively.

Credit Risk

At June 30, 2008, the Illinois Funds Money Market Fund had a Standards and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investments Act, 30 ILCS 235. All investments are fully collateralized.

Interest Rate Risk

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

Concentration of Credit Risk

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

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2008 is as follows:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
GOVERNMENTAL FUNDS				
Equipment	\$ 204,578	\$ 5,518	\$ -	\$ 210,096
Less: accumulated depreciation	99,167	35,397	-	134,564
Capital assets, net	<u>\$ 105,411</u>	<u>\$ (29,879)</u>	<u>\$ -</u>	<u>\$ 75,532</u>

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	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
PROPRIETARY FUNDS				
Equipment	\$ 20,090	\$ -	\$ -	\$ 20,090
Building improvement	11,892	-	-	11,892
Total	31,982	-	-	31,982
Less: accumulated depreciation	26,777	1,933	-	28,710
Capital assets, net	\$ 5,205	\$ (1,933)	\$ -	\$ 3,272

NOTE 4 - RETIREMENT FUND COMMITMENTS

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

NOTE 5 - RETIREMENT PLANS

Teachers' Retirement System of the State of Illinois

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

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2008 was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was 0.63 percent during the year ended June 30, 2008, and the member THIS Fund health insurance contribution was 0.84 percent.

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

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- **On-behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of Lake County Regional Office of Education No. 34. For the year ended June 30, 2008, the State of Illinois contributions were based on 13.11 percent of creditable earnings not paid from federal funds, and the Lake County Regional Office of Education No. 34, recognized revenue and expenditures of \$51,956 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2007 and June 30, 2006, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 9.78 percent (\$81,167) and 7.06 percent (\$47,301), respectively. The State contributions to TRS for the year ended June 30, 2008 were based on an actuarial formula. The State contributions to TRS for the years ended June 30, 2007 and June 30, 2006 were based on dollar amounts specified by the statute and were not actuarially determined.

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

- **2.2 Formula Contributions.** Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2008 were \$3,835. Contributions for the years ended June 30, 2007, and June 30, 2006, were \$4,814 and \$3,886, respectively.
- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and special trust funds administered by the Lake County Regional Office of Education No. 34, there is a statutory requirement for the Lake County Regional Office of Education No. 34 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS. For the year ended June 30, 2008, the employer pension contribution was 13.11 percent of salaries paid from federal and trust funds. For the years ended June 30, 2007, and 2006, the employer contribution was 9.78 and 7.06 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2008, salaries totaling \$256,058 were paid from federal and special trust funds that required employer contributions of \$35,712. For the years ended June 30, 2007 and June 30, 2006, required Lake County Regional Office of Education No. 34 contributions were \$37,155 and \$19,042, respectively.
- **Early Retirement Option (ERO).** The Lake County Regional Office of Education No. 34 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member and under which ERO program the member retires. Under Public Act 94-0004, a "Pipeline ERO" program was provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they met certain conditions and retired on or before July 1, 2007. If members did not meet these

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conditions, they can retire under the “Modified ERO” program which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies for the Pipeline ERO). Under the Pipeline ERO program, the maximum employer contribution is 100 percent of the member’s highest salary used in the final average salary calculation. Under the modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement. For the year ended June 30, 2008, the Lake County Regional Office of Education No. 34 paid \$37,260 to TRS for employer contributions under the program. For the years ended June 30, 2007 and June 30, 2006, the Lake County Regional Office of Education No. 34 paid \$0 in employer ERO contributions.

- **Salary Increases Over 6 Percent and Excess Sick Leave.** Public Act 94-0004 added two new employer contributions to TRS.
 - If an employer grants salary increases over 6 percent and those salaries are used to calculate a retiree’s final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases of up to 6 percent. For the year ended June 30, 2008, the Lake County Regional Office of Education No. 34 paid \$19,690 to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2007 and June 30, 2006, the Lake County Regional Office of Education No. 34 paid \$29,755 and \$0, respectively to TRS for employer contributions due on salary increases in excess of 6 percent.
 - If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (17.62 percent of salary during the year ended June 30, 2008). For the year ended June 30, 2008, the Lake County Regional Office of Education No. 34 paid \$0 to TRS for sick leave days granted in excess of the normal annual allotment. For the years ended June 30, 2007 and June 30, 2006, the Lake County Regional Office of Education No. 34 did not have any payments to TRS for sick leave days granted in excess of the normal annual allotment.

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and State funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2007. The report for the year ended June 30, 2008, is expected to be available in late 2008. The reports may be obtained by writing to the Teachers’ Retirement System of the State of Illinois, P.O. Box 19253, 2815 West

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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, 2008, were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 34,886
2010	26,460
2011	10,665
Total minimum lease payment	<u>72,011</u>
Less: amount representing interest	<u>5,473</u>
Present value of minimum lease payments	<u>\$ 66,538</u>

NOTE 7 - SALARIES AND PENSION PLAN CONTRIBUTIONS

The salaries of the Regional Superintendent and Assistant Regional Superintendent of Lake County Regional Office of Education No. 34 are paid for by the State of Illinois and Teachers Retirement System (TRS) contributions are paid by the State of Illinois, in accordance with applicable State of Illinois Law.

The breakdown of the on-behalf payments is as follows:

Regional Superintendent - salary	\$ 105,761
Regional Superintendent - benefits (includes State paid insurance)	20,754
Assistant Regional Superintendent - salary	95,184
Assistant Regional Superintendent - benefits (includes State paid insurance)	22,716
TRS contributions	<u>51,956</u>
Total on-behalf payments	<u>\$ 296,371</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Salary and benefit data for Regional Superintendent and Assistant Regional Superintendent were calculated based on data provided by the Illinois State Board of Education. The fringe benefits amounts include State paid insurance.

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, 2008:

Fund	Due From Other Funds	Due To Other Funds
General Fund - ROE/ISC Operations	\$ 3,397	\$ -
General Fund - Educational Services Division Local Operations	-	43,484
Governmental Fund - Educational Services Division	-	3,397
Proprietary Fund - Educational Services Division	43,484	-
Total	<u>\$ 46,881</u>	<u>\$ 46,881</u>

(b) Transfer From (To) Other Funds

The composition of interfund transfer for the year ended June 30, 2008 is as follows:

Fund	Transfer-out	Transfer-in
General Fund - Educational Services Division Local Operations	\$ 77	\$ -
General Fund - PASS	-	86,402
Education Fund - ROE/ISC Internal Review	39	-
Education Fund - Summer Bridges	99	-
Education Fund - Technology Enhancing Education - Competitive	-	755
Education Fund - Title I - Reading First Part B SEA Funds	236	-
Education Fund - Regional Safe Schools	2,384	-
Education Fund - McKinney Education for Homeless Children	-	2,384
Governmental Fund - Educational Services Division	14,285	-
Nonmajor Special Revenue Funds - Distributive Interest	3,724	-
Nonmajor Special Revenue Funds - Learning Technology Center	4,000	-
Nonmajor Special Revenue Funds - PASS	78,387	-
Proprietary Fund - Education Services Division	-	21,706
Proprietary Fund - PASS	8,016	-
Total	<u>\$ 111,247</u>	<u>\$ 111,247</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 9 - DEFICIT FUND BALANCES

The following Education, Governmental, Nonmajor Special Revenue, and Proprietary Funds have deficit fund balances as of June 30, 2008:

Fund	Amount
Education Fund:	
McKinney Education for Homeless Children	\$ 13,297
Nonmajor Special Revenue Funds:	
Learning Technology Center	19
Proprietary Fund:	
Education Services Division	267,215
Total Deficit Fund Balances	\$ 280,531

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 GOVERNMENTS	
Will County ROE No. 56 - Professional Development Alliance	\$ 165,910
Local school districts	64,365
Illinois State Board of Education	21,657
Lake County Treasurer	6,457
Total	\$ 258,389
DUE TO OTHER GOVERNMENTS	
Illinois State Board of Education	\$ 239,135
Lake County Treasurer	73,782
Local school districts	18,670
Total	\$ 331,587

SUPPLEMENTARY INFORMATION

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
GENERAL FUND
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2008**

SCHEDULE 1

	ROE/ISC Operations	Educational Services Division Local Operations	PASS (Positive Alternative Student Services)	Total
ASSETS				
Cash and cash equivalents	\$ 2,553	\$ 621,385	\$ 111,690	\$ 735,628
Accounts receivable	-	2,273	-	2,273
Due from other funds	3,397	-	-	3,397
TOTAL ASSETS	5,950	623,658	111,690	741,298
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	5,832	4,200	-	10,032
Due to other funds	-	43,484	-	43,484
Deferred revenues	-	57,582	-	57,582
Total liabilities	5,832	105,266	-	111,098
FUND BALANCES				
Unreserved	118	518,392	111,690	630,200
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,950	\$ 623,658	\$ 111,690	\$ 741,298

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
GENERAL FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008**

SCHEDULE 2

	ROE/ISC Operations	Educational Services Division Local Operations	PASS (Positive Alternative Student Services)	Total
REVENUES				
State sources	\$ 278,142	\$ -	\$ -	\$ 278,142
Local sources:				
Intergovernmental	-	172,521	-	172,521
Fees for services	-	-	1,479	1,479
Interest	21	4,264	3,533	7,818
On-behalf payments	296,371	-	-	296,371
Total revenues	574,534	176,785	5,012	756,331
EXPENDITURES				
Salaries	233,625	37,944	-	271,569
Benefits	25,774	16,112	-	41,886
Purchased services	2,894	74,652	22,340	99,886
Supplies and materials	15,772	1,771	3,008	20,551
Capital expenditures	-	22,907	782	23,689
On-behalf payments	296,371	-	-	296,371
Total expenditures	574,436	153,386	26,130	753,952
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	98	23,399	(21,118)	2,379
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	(77)	86,402	86,325
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	98	23,322	65,284	88,704
FUND BALANCES, BEGINNING OF YEAR	20	495,070	46,406	541,496
FUND BALANCES, END OF YEAR	\$ 118	\$ 518,392	\$ 111,690	\$ 630,200

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
GENERAL FUND ACCOUNTS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

SCHEDULE 3

	ROE/ISC Operations		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
State sources	\$ 278,142	\$ 278,142	\$ -
Local sources:			
Interest	-	21	21
On-behalf payments	-	296,371	296,371
Total revenues	<u>278,142</u>	<u>574,534</u>	<u>296,392</u>
EXPENDITURES			
Salaries	231,625	233,625	(2,000)
Benefits	24,653	25,774	(1,121)
Purchased services	15,864	2,894	12,970
Supplies and materials	6,000	15,772	(9,772)
On-behalf payments	-	296,371	(296,371)
Total expenditures	<u>278,142</u>	<u>574,436</u>	<u>(296,294)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	98	<u>\$ 98</u>
FUND BALANCE, BEGINNING OF YEAR		<u>20</u>	
FUND BALANCE, END OF YEAR		<u>\$ 118</u>	

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2008

SCHEDULE 4

	ROE/ISC Internal Review	Technology for Schools	Summer Bridges	Technology Enhancing Education - Competitive	Title I -		
					Reading First Part B SEA Funds	Regional Safe Schools	
ASSETS							
Cash and cash equivalents (overdrafts)	\$ -	\$ 273	\$ -	\$ -	\$ 9,625	\$ 1,125,820	
Investments	-	-	-	-	-	350,000	
Accounts receivable	-	-	-	-	-	-	
Due from other governments	-	-	-	-	-	-	
TOTAL ASSETS	-	273	-	-	9,625	1,475,820	
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued expenses	-	-	-	-	-	59,260	
Due to other governments	-	-	-	-	8,961	230,174	
Deferred revenues	-	-	-	-	-	-	
Total liabilities	-	-	-	-	8,961	289,434	
FUND BALANCES							
Unreserved	-	273	-	-	664	1,186,386	
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 273	\$ -	\$ -	\$ 9,625	\$ 1,475,820	

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2008

SCHEDULE 4
 (CONTINUED)

	Truants Alternative/ Optional Education	McKinney Education for Homeless Children	Juvenile Detention Fund	Teacher Mentoring Pilot	Principal Mentoring	Total
ASSETS						
Cash and cash equivalents (overdrafts)	\$ 10,935	\$ (246)	\$ 20,062	\$ 73,829	\$ (3,900)	\$ 1,236,398
Investments	-	-	-	-	-	350,000
Accounts receivable	-	-	-	-	22,500	22,500
Due from other governments	-	-	64,365	-	-	64,365
TOTAL ASSETS	10,935	(246)	84,427	73,829	18,600	1,673,263
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenses	10,935	13,051	-	7,927	14,000	105,173
Due to other governments	-	-	64,365	-	-	303,500
Deferred revenues	-	-	-	65,646	-	65,646
Total liabilities	10,935	13,051	64,365	73,573	14,000	474,319
FUND BALANCES						
Unreserved	-	(13,297)	20,062	256	4,600	1,198,944
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,935	\$ (246)	\$ 84,427	\$ 73,829	\$ 18,600	\$ 1,673,263

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2008

SCHEDULE 5

	ROE/ISC Internal Review	Technology for Schools	Summer Bridges	Technology Enhancing Education - Competitive	Title I -		Regional Safe Schools
					Reading First Part B SEA Funds		
REVENUES							
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	2,360,132
Local sources:							
Fees for services	-	-	-	-	-	-	25,000
Other	-	-	-	-	-	-	19,442
Interest	-	132	-	-	-	9,184	-
Total revenues	-	132	-	-	-	9,184	2,404,574
EXPENDITURES							
Salaries	-	-	-	-	-	-	94,992
Benefits	-	-	-	-	-	-	55,064
Purchased services	-	-	-	-	-	-	982,959
Supplies and materials	-	-	-	-	-	-	5,096
Miscellaneous	-	-	-	-	-	-	1,438
Payment to other governments	-	-	-	-	-	8,960	1,115,445
Capital expenditures	-	-	-	-	-	-	20,996
Total expenditures	-	-	-	-	-	8,960	2,275,990
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	132	-	-	-	224	128,584
OTHER FINANCING SOURCES (USES)							
Transfers in (out)	(39)	-	(99)	755	(236)		(2,384)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	(39)	132	(99)	755	(12)		126,200
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	39	141	99	(755)	676		1,060,186
FUND BALANCES (DEFICIT), END OF YEAR	\$ -	\$ 273	\$ -	\$ -	\$ 664	\$ -	\$ 1,186,386

**SCHEDULE 5
(CONTINUED)**

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008**

	Truants Alternative/ Optional Education	McKinney Education for Homeless Children	Juvenile Detention Fund	Teacher Mentoring Pilot	Principal Mentoring	Total
REVENUES						
Federal sources	\$ -	\$ 58,641	\$ -	\$ -	\$ -	\$ 58,641
State sources	159,069	-	-	24,354	-	2,543,555
Local sources:						
Fees for services	-	210	520,389	-	27,500	573,099
Other	-	-	2,707	-	-	22,149
Interest	-	631	-	256	-	10,203
Total revenues	159,069	59,482	523,096	24,610	27,500	3,207,647
EXPENDITURES						
Salaries	123,831	41,286	450,130	-	20,000	730,239
Benefits	21,586	18,079	245,238	-	-	339,967
Purchased services	11,233	10,944	-	24,303	1,350	1,030,789
Supplies and materials	2,419	6,407	2,127	51	1,550	17,650
Miscellaneous	-	-	-	-	-	1,438
Payment to other governments	-	-	-	-	-	1,124,405
Capital expenditures	-	-	-	-	-	20,996
Total expenditures	159,069	76,716	697,495	24,354	22,900	3,265,484
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(17,234)	(174,399)	256	4,600	(57,837)
OTHER FINANCING SOURCES (USES)						
Transfers in (out)	-	2,384	-	-	-	381
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	-	(14,850)	(174,399)	256	4,600	(57,456)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	-	1,553	194,461	-	-	1,256,400
FUND BALANCES (DEFICIT), END OF YEAR	\$ -	\$ (13,297)	\$ 20,062	\$ 256	\$ 4,600	\$ 1,198,944

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 EDUCATION FUND ACCOUNTS
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2008

SCHEDULE 6

	Truants Alternative/Optional Education			Regional Safe Schools*		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State sources	\$ 159,069	\$ 159,069	\$ -	\$ 1,148,404	\$ 2,360,132	\$ 1,211,728
Local sources:						
Fees for services	-	-	-	-	25,000	25,000
Other	-	-	-	-	19,442	19,442
Interest	-	-	-	-	-	-
Total revenues	159,069	159,069	-	1,148,404	2,404,574	1,256,170
EXPENDITURES						
Salaries	124,245	123,831	414	-	94,992	(94,992)
Benefits	20,518	21,586	(1,068)	-	55,064	(55,064)
Purchased services	13,006	11,233	1,773	131,135	982,959	(851,824)
Supplies and materials	1,300	2,419	(1,119)	-	5,096	(5,096)
Miscellaneous	-	-	-	-	1,438	(1,438)
Payments to other governments	-	-	-	1,017,269	1,115,445	(98,176)
Capital expenditures	-	-	-	-	20,996	(20,996)
Total expenditures	159,069	159,069	-	1,148,404	2,275,990	(1,127,586)
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ 128,584	\$ 128,584
OTHER FINANCING USES						
Transfers out	-	-	-	-	(2,384)	2,384
EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	-	-	-	-	126,200	126,200
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-	1,060,186	1,060,186
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ 1,186,386	\$ 1,186,386

* Includes \$1,211,728 General State Aid grant for which there is no budgeted expenditure.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 EDUCATION FUND ACCOUNTS
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2008

SCHEDULE 6
 (CONTINUED)

	Teacher Mentoring Pilot			Total	Variance Favorable (Unfavorable)
	Budget	Actual	Budget		
REVENUES					
State sources	\$ 90,000	\$ 24,354	\$ (65,646)	\$ 2,543,555	\$ 1,146,082
Local sources:					
Fees for services	-	-	-	25,000	25,000
Other	-	-	-	19,442	19,442
Interest	-	256	256	256	256
Total revenues	90,000	24,610	(65,390)	2,588,253	1,190,780
EXPENDITURES					
Salaries	61,320	-	61,320	185,565	218,823
Benefits	-	-	-	20,518	76,650
Purchased services	21,680	24,303	(2,623)	165,821	1,018,495
Supplies and materials	7,000	51	6,949	8,300	7,566
Miscellaneous	-	-	-	-	1,438
Payments to other governments	-	-	-	1,017,269	1,115,445
Capital expenditures	-	-	-	-	20,996
Total expenditures	90,000	24,354	65,646	1,397,473	2,459,413
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	256	256	\$ -	\$ 128,840
OTHER FINANCING USES					
Transfers out	-	-	-	(2,384)	(2,384)
EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES		256		126,456	
FUND BALANCES, BEGINNING OF YEAR		-		1,060,186	
FUND BALANCES, END OF YEAR	\$ -	256		\$ 1,186,642	

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2008

SCHEDULE 7

	General Education Development	Bus Driver Training	Regional Board of School Trustees	Supervisory	Reading Recovery Installation Fees	Reading Recovery Operations
Cash and cash equivalents (overdrafts)	\$ 19,285	\$ 12,539	\$ 4,654	\$ 69	\$ 79,075	\$ 61,403
Investments	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Due from other governments	3,965	-	-	-	-	-
TOTAL ASSETS	23,250	12,539	4,654	69	79,075	61,403
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenses	-	346	-	-	-	-
Due to other governments	1,765	-	-	-	-	10,102
Total liabilities	1,765	346	-	-	-	10,102
FUND BALANCES						
Unreserved	21,485	12,193	4,654	69	79,075	51,301
TOTAL LIABILITIES AND FUND BALANCES	\$ 23,250	\$ 12,539	\$ 4,654	\$ 69	\$ 79,075	\$ 61,403

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2008

SCHEDULE 7
 (CONTINUED)

	Distributive Interest	Workforce Development Department Summer Training and Education Program (STEP)	Learning Technology Center	PASS (Positive Alternative Student Services)	Pre-School Monitoring	Total
ASSETS						
Cash and cash equivalents (overdrafts)	\$ 30,741	\$ -	\$ (20,421)	\$ 46,319	\$ (4,637)	\$ 229,027
Investments	-	-	-	25,037	-	25,037
Accounts receivable	-	-	-	-	4,637	4,637
Due from other governments	-	-	21,656	2,493	-	28,114
TOTAL ASSETS	30,741	-	1,235	73,849	-	286,815
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenses	-	-	1,254	-	-	1,600
Due to other governments	-	-	-	-	-	11,867
Total liabilities	-	-	1,254	-	-	13,467
FUND BALANCES						
Unreserved	30,741	-	(19)	73,849	-	273,348
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,741	\$ -	\$ 1,235	\$ 73,849	\$ -	\$ 286,815

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2008

	General Education Development	Bus Driver Training	Regional Board of School Trustees	Supervisory	Reading Recovery Installation Fees	Reading Recovery Operations
REVENUES						
State sources	\$ -	\$ 3,600	\$ -	\$ 1,000	\$ -	\$ 28,200
Local sources:						
Fees for services	44,933	10,160	3,848	-	-	199,176
Interest	590	423	-	11	2,401	1,776
Total revenues	45,523	14,183	3,848	1,011	2,401	229,152
EXPENDITURES						
Salaries	-	-	-	-	-	69,425
Benefits	-	-	-	-	-	15,803
Purchased services	36,852	13,673	1,309	940	-	64,270
Supplies and materials	1,513	1,369	796	-	-	33,122
Miscellaneous	-	-	-	-	-	50
Payment to other governments	1,765	-	-	-	-	6,450
Capital expenditures	876	-	-	-	-	-
Total expenditures	41,006	15,042	2,105	940	-	189,120
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,517	(859)	1,743	71	2,401	40,032
OTHER FINANCING USES						
Transfers out	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	4,517	(859)	1,743	71	2,401	40,032
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	16,968	13,052	2,911	(2)	76,674	11,269
FUND BALANCES (DEFICIT), END OF YEAR	\$ 21,485	\$ 12,193	\$ 4,654	\$ 69	\$ 79,075	\$ 51,301

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008**

	Distributive Interest	Workforce Development Department Summer Training and Education Program (STEP)	Learning Technology Center	PASS (Positive Alternative Student Services)	Pre-School Monitoring	Total
REVENUES						
State sources	\$ -	\$ -	\$ 109,058	\$ 10,000	\$ 42,387	\$ 194,245
Local sources:						
Fees for services	3,284	94	-	24,034	70	285,599
Interest	28,850	-	-	417	-	34,468
Total revenues	32,134	94	109,058	34,451	42,457	514,312
EXPENDITURES						
Salaries	-	-	79,347	536	-	149,308
Benefits	-	-	7,714	-	-	23,517
Purchased services	2,477	-	23,463	13,339	43,121	199,444
Supplies and materials	860	-	-	4,646	97	42,403
Miscellaneous	8,013	-	-	-	-	8,063
Payment to other governments	-	-	-	-	-	8,215
Capital expenditures	876	-	1,018	-	-	2,770
Total expenditures	12,226	-	111,542	18,521	43,218	433,720
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,908	94	(2,484)	15,930	(761)	80,592
OTHER FINANCING USES						
Transfers out	(3,724)	-	(4,000)	(78,387)	-	(86,111)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	16,184	94	(6,484)	(62,457)	(761)	(5,519)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	14,557	(94)	6,465	136,306	761	278,867
FUND BALANCES (DEFICIT), END OF YEAR	\$ 30,741	\$ -	\$ (19)	\$ 73,849	\$ -	\$ 273,348

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	Reading Recovery Operations			Learning Technology Center			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
State sources	\$ 28,200	\$ 28,200	\$ -	\$ 109,058	\$ 109,058	\$ -	\$ 137,258	\$ 137,258	\$ -
Local sources									
Fees for services	-	199,176	199,176	-	-	-	-	199,176	199,176
Interest	-	1,776	1,776	-	-	-	-	1,776	1,776
Total revenues	28,200	229,152	200,952	109,058	109,058	-	137,258	338,210	200,952
EXPENDITURES									
Salaries	24,750	69,425	(44,675)	79,480	79,347	133	104,230	148,772	(44,542)
Benefits	-	15,803	(15,803)	7,714	7,714	-	7,714	23,517	(15,803)
Purchased services	3,450	64,270	(60,820)	20,864	23,463	(2,599)	24,314	87,733	(63,419)
Supplies and materials	-	33,122	(33,122)	-	-	-	-	33,122	(33,122)
Miscellaneous	-	50	(50)	-	-	-	-	50	(50)
Payments to other governments	-	6,450	(6,450)	-	-	-	-	6,450	(6,450)
Capital expenditures	-	-	-	1,000	1,018	(18)	1,000	1,018	(18)
Total expenditures	28,200	189,120	(160,920)	109,058	111,542	(2,484)	137,258	300,662	(163,404)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	40,032	40,032	\$ -	(2,484)	(2,484)	\$ -	37,548	37,548
OTHER FINANCING USES									
Transfers out	-	-	-	-	(4,000)	(4,000)	-	(4,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES		40,032	40,032	(6,484)				33,548	
FUND BALANCES, BEGINNING OF YEAR		11,269		6,465				17,734	
FUND BALANCES, END OF YEAR	\$ 51,301			\$ (19)				\$ 51,282	

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

SCHEDULE 10

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
ASSETS				
Cash and cash equivalents	\$ 2,071	\$ 3,008,218	\$ 3,007,545	\$ 2,744
LIABILITIES				
Distributive payable	\$ 2,071	\$ 3,008,218	\$ 3,007,545	\$ 2,744

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHERS
FOR THE YEAR ENDED JUNE 30, 2008

SCHEDULE 11

	Regional Superintendent of Schools	Education Service Center	Truancy Alternative Program	Total
General State Aid - Sec. 18-8	\$ 1,211,728	\$ -	\$ -	\$ 1,211,728
K-6 Reading Improvement - R.R.	28,200	-	-	28,200
ROE Safe Schools Program	1,148,404	-	-	1,148,404
ROE/ISC Operations	-	278,142	-	278,142
School Bus Driver Training	3,600	-	-	3,600
Supervisory	1,000	-	-	1,000
Teacher Mentoring	-	90,000	-	90,000
Technology - Learning Technology Center	-	87,402	-	87,402
Truants Alternative/Optional Education	-	-	159,069	159,069
Total	\$ 2,392,932	\$ 455,544	\$ 159,069	\$ 3,007,545

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2008**

SCHEDULE 12

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2007 Expenditures
<u>DEPARTMENT OF EDUCATION</u>			
Education for Homeless Children and Youth Passed-Through Will County Regional Office of Education No. 56 <i>McKinney Education for Homeless Children</i>	84.196A	08-4920-00	\$ 58,641
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	08-4331-SS	657,694
Improving Teacher Quality State Grants Passed-Through Will County Regional Office of Education No. 56 <i>Title II - Teacher Quality - Leadership Grant</i>	84.367A	07-4935-SS	<u>127,152</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 843,487</u>

(M) Program was audited as major program

The accompanying notes are an integral part of this schedule.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

Note 1. Reporting Entity Basis of Presentation and Accounting

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

Note 2. Subrecipients

Not Applicable.

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

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

Note 4. Non-Cash Assistance

Not Applicable.

Note 5. Amount of Insurance

Not Applicable.

Note 6. Loans or Loan Guarantees Outstanding

Not Applicable.