

**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, 2013**

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

TABLE OF CONTENTS

	PAGE
OFFICIALS	1
COMPLIANCE REPORT SUMMARY	2
FINANCIAL STATEMENT REPORT SUMMARY	4
INDEPENDENT AUDITORS' REPORT	5
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	8
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	10
Schedule of Findings and Questioned Costs.....	12
Corrective Action Plan for Current Year Audit Findings	16
Summary Schedule of Prior Audit Findings	17
Management's Discussion and Analysis.....	18
BASIC FINANCIAL STATEMENTS	29
EXHIBIT	
Government-wide Financial Statements:	
Statement of Net Position	A.....30
Statement of Activities.....	B.....31
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds	C.....32
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position - Governmental Funds	D.....33
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	E.....34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds.....	F.....35

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

TABLE OF CONTENTS (Continued)

	PAGE
BASIC FINANCIAL STATEMENTS (Continued)	
EXHIBIT	
Proprietary Fund Financial Statements:	
Statement of Net Position - Proprietary Funds.....G.....	36
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	H.....37
Statement of Cash Flows - Proprietary Funds.....I.....	38
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position - Fiduciary Funds	J.....39
Notes to Financial Statements	40
REQUIRED SUPPLEMENTARY INFORMATION	68
Schedule of Funding Progress - Other Postemployment Benefits	69
SUPPLEMENTARY INFORMATION.....	70
SCHEDULE	
General Fund Accounts:	
Combining Schedule of Accounts	1.....71
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	2.....72
Major Special Revenue Accounts:	
Budgetary Comparison Schedule.....	3.....73
Education Fund Accounts:	
Combining Schedule of Accounts	4.....74
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	5.....76
Budgetary Comparison Schedule.....	6.....78
Nonmajor Special Revenue Accounts:	
Combining Balance Sheet - Nonmajor Special Revenue Funds	7.....81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	8.....83
Budgetary Comparison Schedule.....	9.....85

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

TABLE OF CONTENTS (Continued)

	PAGE
SUPPLEMENTARY INFORMATION (Continued)	
	SCHEDULE
Nonmajor Proprietary Funds:	
Combining Statement of Net Position	10.....86
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position.....	11.....87
Combining Statement of Cash Flows	12.....88
Fiduciary Funds:	
Statement of Changes in Assets and Liabilities - Agency Funds.....	13.....89
Schedule of Disbursements to School District Treasurers and Other Entities.....	14.....90
Schedule of Expenditures of Federal Awards.....	15.....91
Notes to the Schedule of Expenditures of Federal Awards	92

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

OFFICIALS

Regional Superintendent
(During the Audit Period and Current)

Honorable Roycealee J. Wood

Assistant Regional Superintendent
(During the Audit Period and Current)

Mr. Gary E. Pickens

Office is located at:

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

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	5
Repeated audit findings	1	5
Prior recommendations implemented or not repeated	4	2

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
-----------------	-------------	--------------------	---------------------

FINDINGS (GOVERNMENT AUDITING STANDARDS)

2013-001	13	Controls Over Financial Statement Preparation	Material Weakness
----------	----	---	-------------------

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

None

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

12-2	17	Failure to Apply Appropriate Accounting Principles	Significant Deficiency
12-3	17	Inadequate Controls Over Purchased Services Expenditures	Significant Deficiency
12-4	17	Inadequate Internal Controls Over Reporting and Inaccurate Expenditure Reports	Significant Deficiency and Noncompliance
12-5 Weakness	17	Inadequate Documentation for Payroll Expenditures	Material and Noncompliance

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

12-5 Weakness Noncompliance	17	Inadequate Documentation for Payroll Expenditures	Material and
-----------------------------------	----	---	-----------------

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

COMPLIANCE REPORT SUMMARY

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference held on March 24, 2014. Attending were Honorable Roycealee J. Wood, Regional Superintendent, Gary E. Pickens, Assistant Regional Superintendent, Kay Klemens, Principal Accountant, Andrea Kowitz, Accountant, Lynn Davis, Administrative Assistant, Kent Blake, Financial Consultant and Kristyl McDaniel, auditor with Winkel, Parker & Foster, CPA PC. Responses to the recommendations were provided by the Lake County Regional Office of Education No. 34 on March 19, 2014.

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 Winkel, Parker & Foster, CPA PC.

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

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake County Regional Office of Education No. 34, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Lake County Regional Office of Education No. 34's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake County Regional Office of Education No. 34, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress - Other Postemployment Benefits on pages 19 through 28 and 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lake County Regional Office of Education No. 34's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities and the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lake County Regional Office of Education No. 34's internal control over financial reporting and compliance.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
March 24, 2014

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake County Regional Office of Education No. 34, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Lake County Regional Office of Education No. 34's basic financial statements, and have issued our report thereon dated March 24, 2014.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be a material weakness.

Compliance and Other Matters

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

Regional Office of Education No. 34's Response to Finding

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

Purpose of this Report

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

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
March 24, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable William G. Holland
Auditor General
State of Illinois

Report on Compliance for Each Major Federal Program

We have audited Lake County Regional Office of Education No. 34's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lake County Regional Office of Education No. 34's major federal programs for the year ended June 30, 2013. Lake County Regional Office of Education No. 34's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Lake County Regional Office of Education No. 34's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Lake County Regional Office of Education No. 34's compliance.

Opinion on Each Major Federal Program

In our opinion, Lake County Regional Office of Education No. 34 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Lake County Regional Office of Education No. 34 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lake County Regional Office of Education No. 34's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Lake County Regional Office of Education No. 34's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
March 24, 2014

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Section I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: _____ Unmodified _____

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? yes x no

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? yes x no

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Section II: Financial Statement Findings:

FINDING NO. 2013-001 - Controls Over Financial Statement Preparation (Repeat from 12-1, 11-1 and 10-1)

Criteria/Specific Requirement:

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

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

Condition:

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

During review of the Regional Office of Education No. 34's financial information prepared by the Regional Office of Education No. 34, it was noted that the Regional Office did not have adequate controls to ensure financial statement balances were accurate. While the Regional Office did maintain records to indicate the balances of financial statement accounts, numerous material audit adjustments were proposed in order to ensure those balances were accurate.

Effect:

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Section II: Financial Statement Findings:

FINDING NO. 2013-001 - Controls Over Financial Statement Preparation (Repeat from 12-1, 11-1 and 10-1) (Continued)

Cause:

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

Recommendation:

As part of internal control over the preparation of financial statements, including disclosures, the Regional Office of Education No. 34 should implement comprehensive preparation procedures to ensure that the financial statements, including disclosures, are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education No. 34's activities and operations.

Management's Response:

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

Section III: Federal Award Findings:

Instances of Noncompliance:

None

Material Weaknesses:

None

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2013**

FINDING NO. 2013-001 - Controls Over Financial Statement Preparation (Repeat from 12-1, 11-1 and 10-1)

Condition:

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

During review of the Regional Office of Education No. 34's financial information prepared by the Regional Office of Education No. 34, it was noted that the Regional Office did not have adequate controls to ensure financial statement balances were accurate. While the Regional Office did maintain records to indicate the balances of financial statement accounts, numerous material audit adjustments were proposed in order to ensure those balances were accurate.

Plan:

- Continue implementation of current comprehensive preparation and review procedures to insure that financial statements including disclosures are complete and accurate (Note: This activity has been ongoing through FY 2014).
- Continue contracts with appropriate consultants to provide independent review, consulting services and training to Lake County Regional Office of Education finance staff regarding preparation of financial statements (including review for completeness and accuracy).
- Continue to conduct additional training regarding successful use of the Lake County Regional Office of Education's financial management software (provided by business consultant throughout FY 2014).
- Continue contract with a part-time business consultant to review Lake County Regional Office of Education business procedures and controls.
- Align state account codes for all divisions with the Illinois Program Accounting Manual (all active accounts completed in FY 2014).
- Merge Regional Office of Education, Educational Services Division, and Attendance and Truancy Division finance databases into one system (April 2014).
- Validate merged data base for completeness and accuracy (April – June 2014).
- Revise and implement staff operating procedures to include a consolidated financial management system (ongoing).
- Complete finance software and account consolidation efforts.

Anticipated Completion Date:

Currently in progress. Expected completion by June 30, 2014 for preparation of Fiscal Year 2014 financial statements.

Contact Person Responsible for Corrective Action:

Honorable Roycealee Wood, Regional Superintendent

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2013

Finding Number	Condition	Current Status
12-1	Controls Over Financial Statement Preparation	Repeated
12-2	Failure to Apply Appropriate Accounting Principles	Resolved
12-3	Inadequate Controls Over Purchased Services Expenditures	Resolved
12-4	Inadequate Internal Controls Over Reporting and Inaccurate Expenditure Reports	Resolved
12-5	Inadequate Documentation for Payroll Expenditures	Resolved

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Lake County Regional Office of Education No. 34 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013 with comparative information for the year ended June 30, 2012. Readers are encouraged to consider the information in conjunction with Lake County Regional Office of Education No. 34's basic financial statements.

2013 FINANCIAL HIGHLIGHTS

- Within the Governmental Funds, the General Fund revenues decreased from \$3,278,438 in 2012 to \$2,962,597 in 2013 mostly due to reductions in General State Aid revenues. The General Fund expenditures also decreased from \$3,016,674 in 2012 to \$2,832,446 in 2013 mostly due to decreases in salary expenses and reductions in payments to other governmental units.
- Within the Governmental Funds, the Special Revenue Fund revenues decreased from \$3,583,350 in 2012 to \$3,232,457 in 2013 mostly due to decreases in the Institute Fund and System of Support program (included in the Educational Services Division fund) revenues. The Special Revenue Fund expenditures decreased from \$3,573,932 in 2012 to \$3,276,807 in 2013 due to reductions in staff-related costs.
- The Proprietary Fund revenues decreased from \$316,873 in 2012 to \$236,377 in 2013 due to reduction in revenues from workshop fees. The Proprietary Fund expenditures slightly increased from \$269,186 in 2012 to \$276,792 in 2013 due to payment of temporary staff wages.

USING THIS ANNUAL REPORT

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

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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

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

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

THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

Government-wide Financial Statements

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

The government-wide financial statements report Lake County Regional Office of Education No. 34's net position and how they have changed. Net position - the difference between Lake County Regional Office of Education No. 34's assets and liabilities - are one way to measure Lake County Regional Office of Education No. 34's financial health or financial position.

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

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

- *Governmental activities*: Most of Lake County Regional Office of Education No. 34's basic services are included here, such as grants and statutory funds. Federal and state grant proceeds finance most of these activities.
- *Business-type activities*: Lake County Regional Office of Education No. 34 charges fees to help cover the costs of certain services it provides.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Fund Financial Statements

The fund financial statements provide detailed information about Lake County Regional Office of Education No. 34's funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by state law. Lake County Regional Office of Education No. 34 establishes other funds to control and manage money for particular purposes, such as accounting for special revenue funds, or to show that it is properly using certain revenues, such as federal grants.

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

- 1) *Governmental funds*: account for those funds through which most governmental functions of the Regional Office are financed. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Regional Office's programs. Lake County Regional Office of Education No. 34's Governmental Funds include: the General Fund and the Special Revenue Funds. The governmental funds required financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances.
- 2) *Proprietary funds*: account for resources from fees charged directly to those entities or individuals that use its services. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by government-wide financial statements but with more detail for major and nonmajor enterprise funds. The proprietary funds required financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows.
- 3) *Fiduciary funds*: account for assets held by the Lake County Regional Office of Education No. 34 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds required financial statement is a Statement of Fiduciary Net Position.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve when examined over time as one indicator of the financial position of Lake County Regional Office of Education No. 34. The net position at the end of fiscal year 2013 and 2012 totaled \$2,630,391 and \$2,677,935, respectively. The analysis that follows provides a summary of Lake County Regional Office of Education No. 34's net position as of June 30.

Condensed Statement of Net Position

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

<u>2012</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current assets	\$ 3,071,990	\$ 245,599	\$ 3,317,589
Capital assets, being depreciated, net	<u>74,047</u>	<u>50</u>	<u>74,097</u>
Total assets	<u>3,146,037</u>	<u>245,649</u>	<u>3,391,686</u>
 Deferred outflows of resources	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Current liabilities	 183,887	 403,729	 587,616
Non-current liabilities	<u>126,135</u>	<u>-</u>	<u>126,135</u>
Total liabilities	<u>310,022</u>	<u>403,729</u>	<u>713,751</u>
 Deferred inflows of resources	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Net position			
Net investment in capital assets	20,901	50	20,951
Unrestricted	1,252,101	(158,130)	1,093,971
Restricted for educational purposes	<u>1,563,013</u>	<u>-</u>	<u>1,563,013</u>
 Total net position	 <u>\$ 2,836,015</u>	 <u>\$ (158,080)</u>	 <u>\$ 2,677,935</u>

Lake County Regional Office of Education No. 34's net position decreased by \$47,544 (2%) from fiscal year 2012. Unrestricted net position are the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. Unrestricted net position was \$814,372 at year end. The largest portion of Lake County Regional Office of Education No. 34's net position is restricted. Net position related to the Institute Fund, Education Fund, Educational Services Division and Non-Major Funds are considered restricted for educational purposes.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Changes in Net Position

The following analysis shows the changes in net position for the years ended June 30, 2013 and 2012.

2013

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

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

<u>2012</u>	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
Revenues:			
Program revenues			
Charges for services	\$ 316,175	\$ 316,873	\$ 633,048
Operating grants and contributions	4,488,798	-	4,488,798
General revenues			
Local sources	351,177	-	351,177
State sources	402,670	-	402,670
On-behalf payments	<u>1,173,525</u>	<u>-</u>	<u>1,173,525</u>
Total revenues	<u>6,732,345</u>	<u>316,873</u>	<u>7,049,218</u>
Expenses:			
Instructional services			
Salaries and benefits	1,915,972	87,358	2,003,330
Purchased services	950,509	161,320	1,111,829
Supplies and materials	89,005	13,854	102,859
Payments to other governments	2,459,468	-	2,459,468
Other objects	34,265	957	35,222
Depreciation	29,087	677	29,764
Capital outlay	3,486	5,020	8,506
Administrative			
On-behalf payments	<u>1,173,525</u>	<u>-</u>	<u>1,173,525</u>
Total expenses	<u>6,655,317</u>	<u>269,186</u>	<u>6,924,503</u>
Change in net position	77,028	47,687	124,715
Net position, beginning of year	<u>2,758,987</u>	<u>(205,767)</u>	<u>2,553,220</u>
Net position, end of year	<u>\$ 2,836,015</u>	<u>\$ (158,080)</u>	<u>\$ 2,677,935</u>

Operating grants and contributions account for 64% of the total revenue. Lake County Regional Office of Education No. 34's expenses primarily relate to instructional services, which account for 83% of the total expenses.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Governmental Activities

In fiscal year 2013, revenues and expenses for governmental activities decreased by \$607,233 and \$523,076, respectively. The decrease in revenues and expenses was primarily due to reductions in revenues from grants and a corresponding reduction in grant related expenses.

Business-Type Activities

In fiscal year 2013, revenues for business-type activities decreased by \$80,496 while expenses increased by \$7,606. The decrease in revenues was primarily due to reduction in workshop revenue. The increase in expenses was primarily due to temporary staff wages.

INDIVIDUAL FUND ANALYSIS

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

As Lake County Regional Office of Education No. 34 completed the year, its governmental funds reported a combined fund balance of \$2,673,385, above last year's ending fund balance of \$2,616,128.

Governmental Fund Highlights

The General Fund's fund balance decreased from \$1,411,350 in 2012 to \$1,163,510 in 2013. The main reason for the decrease is due reduction in grant revenues.

The Institute Fund's fund balance increased from \$495,379 in 2012 to \$523,317 in 2013. The main reason for the increase is due to reductions in personnel-related costs paid from this fund.

The Education Fund's fund balance increased from \$567,464 in 2012 to \$832,745 in 2013. The main reason for the increase is due to School General State Aid fund transfers.

The Educational Services Division's fund balance increased from \$(58,149) in 2012 to \$(43,080) in 2013. The main reason for the increase is reduction in personnel costs.

The Nonmajor Special Revenue Funds' fund balance decreased from \$200,084 in 2012 to \$196,893 in 2013. The main reason for the decrease is due to increased salary costs.

Proprietary Fund Highlights

Total proprietary fund net position decreased by \$40,415. The decrease was a result of reduction in workshop revenues.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Fiduciary Fund Highlights

The fiduciary fund balance increased slightly from \$1,142 in fiscal year 2012 to \$1,280 in fiscal year 2013.

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND LONG-TERM DEBT

Lake County Regional Office of Education No. 34's capital assets include office equipment, computers, audio-visual equipment, and office furniture. The Regional Office maintains an inventory of capital assets which have accumulated over time. For fiscal year 2013, additions amounted to \$0 and retirements amounted to \$145,783. The depreciation expense and disposition losses for fiscal year 2013 amounted to \$29,186. Additional information on Lake County Regional Office of Education No. 34's capital assets can be found in Note 3 on pages 54-55 of this report.

Lake County Regional Office of Education No. 34 has entered into lease agreements as lessee for financing the acquisition of copiers. The present value of minimum lease payments at June 30, 2013 was \$27,060. Additional information on Lake County Regional Office of Education No. 34's leases can be found in Note 4 on page 55 of this report.

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

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

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

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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

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

BASIC FINANCIAL STATEMENTS

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,019,573	\$ 127,765	\$ 2,147,338
Investments	236,321	-	236,321
Accounts receivable	1,060	200	1,260
Prepays	-	14,222	14,222
Due from other governments	764,707	16,300	781,007
Total current assets	<u>3,021,661</u>	<u>158,487</u>	<u>3,180,148</u>
Non-current assets:			
Capital assets being depreciated, net	44,861	50	44,911
Total assets	<u>3,066,522</u>	<u>158,537</u>	<u>3,225,059</u>
DEFERRED OUTFLOWS OF RESOURCES			
None	-	-	-
LIABILITIES			
Current liabilities:			
Accounts payable	11,553	94	11,647
Accrued expenses	46,783	19,922	66,705
Accrued compensated absences	40,593	-	40,593
Due to other funds	(328,804)	328,804	-
Due to other governments	278,254	8,212	286,466
Unearned revenue	52,197	-	52,197
Leases payable	20,629	-	20,629
Total current liabilities	<u>121,205</u>	<u>357,032</u>	<u>478,237</u>
Non-current liabilities:			
Leases payable	6,431	-	6,431
Net OPEB obligations	110,000	-	110,000
Total non-current liabilities	<u>116,431</u>	<u>-</u>	<u>116,431</u>
Total liabilities	<u>237,636</u>	<u>357,032</u>	<u>594,668</u>
DEFERRED INFLOWS OF RESOURCES			
None	-	-	-
NET POSITION			
Net investment in capital assets	17,801	50	17,851
Unrestricted	1,012,917	(198,545)	814,372
Restricted for educational purposes	1,798,168	-	1,798,168
Total net position	<u>\$ 2,828,886</u>	<u>\$ (198,495)</u>	<u>\$ 2,630,391</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

EXHIBIT B

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	Primary Government		<u>Total</u>
				<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Primary government:						
Governmental activities:						
Instructional services:						
Salaries	\$ 1,209,041	\$ 130,172	\$ 830,143	\$ (248,726)	\$ -	\$ (248,726)
Employee benefits	378,679	23,668	276,714	(78,297)	-	(78,297)
Purchased services	839,217	106,505	553,429	(179,283)	-	(179,283)
Supplies and materials	56,460	23,668	27,671	(5,121)	-	(5,121)
Payments to other governments	2,416,313	102,560	1,079,186	(1,234,567)	-	(1,234,567)
Other objects	9,928	3,945	-	(5,983)	-	(5,983)
Depreciation and disposition losses	29,186	-	-	(29,186)	-	(29,186)
Capital outlay	6,558	3,945	-	(2,613)	-	(2,613)
Administrative:						
On-behalf payments	1,186,859	-	-	(1,186,859)	-	(1,186,859)
Total governmental activities	6,132,241	394,463	2,767,143	(2,970,635)	-	(2,970,635)
Business-type activities:						
Professional development	276,792	236,377	-	-	(40,415)	(40,415)
Total primary government	\$ 6,409,033	\$ 630,840	\$ 2,767,143	(2,970,635)	(40,415)	(3,011,050)
General revenues:						
Local sources:						
Intergovernmental				187,866	-	187,866
Interest income				950	-	950
State sources				1,587,831	-	1,587,831
On-behalf payments				1,186,859	-	1,186,859
Total general revenues				2,963,506	-	2,963,506
CHANGES IN NET POSITION				(7,129)	(40,415)	(47,544)
NET POSITION, BEGINNING OF YEAR				2,836,015	(158,080)	2,677,935
NET POSITION, END OF YEAR				\$ 2,828,886	\$ (198,495)	\$ 2,630,391

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>Special Revenue</u>					<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Institute Fund</u>	<u>Education Fund</u>	<u>Educational Services Division</u>	<u>Other Nonmajor Funds</u>	
ASSETS						
Cash and cash equivalents	\$ 317,913	\$ 409,308	\$ 1,103,154	\$ -	\$ 189,198	\$ 2,019,573
Investments	123,342	112,979	-	-	-	236,321
Accounts receivable	-	1,030	-	-	30	1,060
Due from other funds	770,771	-	30	-	-	770,801
Due from other governments	31,501	-	377,283	306,747	49,176	764,707
Total assets	<u>1,243,527</u>	<u>523,317</u>	<u>1,480,467</u>	<u>306,747</u>	<u>238,404</u>	<u>3,792,462</u>
DEFERRED OUTFLOWS OF RESOURCES						
None	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,243,527</u>	<u>\$ 523,317</u>	<u>\$ 1,480,467</u>	<u>\$ 306,747</u>	<u>\$ 238,404</u>	<u>\$ 3,792,462</u>
LIABILITIES						
Accounts payable	\$ 1,520	\$ -	\$ -	\$ 8,181	\$ 1,852	\$ 11,553
Accrued expenses	13,475	-	25,263	1,030	7,015	46,783
Due to other funds	507	-	96,029	331,715	13,746	441,997
Due to other governments	12,318	-	246,725	313	18,898	278,254
Unearned revenue	52,197	-	279,705	8,588	-	340,490
Total liabilities	<u>80,017</u>	<u>-</u>	<u>647,722</u>	<u>349,827</u>	<u>41,511</u>	<u>1,119,077</u>
DEFERRED INFLOWS OF RESOURCES						
None	-	-	-	-	-	-
FUND BALANCE (DEFICIT)						
Restricted	-	523,317	982,673	-	205,757	1,711,747
Assigned	96,760	-	-	-	-	96,760
Unassigned	1,066,750	-	(149,928)	(43,080)	(8,864)	864,878
Total fund balance (deficit)	<u>1,163,510</u>	<u>523,317</u>	<u>832,745</u>	<u>(43,080)</u>	<u>196,893</u>	<u>2,673,385</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)	<u>\$ 1,243,527</u>	<u>\$ 523,317</u>	<u>\$ 1,480,467</u>	<u>\$ 306,747</u>	<u>\$ 238,404</u>	<u>\$ 3,792,462</u>

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013**

Total fund balance of governmental funds (page 32)	\$ 2,673,385
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	44,861
Receivables not collected within 60 days of year end are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	288,293
Capital lease obligations are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(27,060)
Compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(40,593)
OPEB obligation resulting from annual required contributions in excess of actual contributions are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(110,000)</u>
Net position of governmental activities (page 30)	<u><u>\$ 2,828,886</u></u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	<u>Special Revenue</u>					<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Institute Fund</u>	<u>Education Fund</u>	<u>Educational Services Division</u>	<u>Other Nonmajor Funds</u>	
REVENUES:						
Federal sources	\$ -	\$ -	\$ 105,298	\$ 901,013	\$ -	\$ 1,006,311
State sources	1,587,831	-	1,417,156	-	78,710	3,083,697
Local sources:						
Intergovernmental	187,866	986	266,496	-	62,137	517,485
Fees for services	-	187,188	-	-	212,564	399,752
Interest income	41	373	6	-	530	950
On-behalf payments	<u>1,186,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,186,859</u>
Total revenues	<u>2,962,597</u>	<u>188,547</u>	<u>1,788,956</u>	<u>901,013</u>	<u>353,941</u>	<u>6,195,054</u>
EXPENDITURES:						
Instructional services:						
Salaries	211,682	25,017	484,546	312,160	175,636	1,209,041
Employee benefits	66,827	11,379	160,945	116,849	31,335	387,335
Purchased services	184,259	13,249	283,843	246,641	111,225	839,217
Supplies and materials	13,927	7,920	6,338	11,586	16,689	56,460
Payments to other governments	1,166,719	98,312	947,904	197,803	5,575	2,416,313
Other objects	1,323	797	116	905	4,329	7,470
On-behalf payments	1,186,859	-	-	-	-	1,186,859
Capital outlay	<u>850</u>	<u>3,935</u>	<u>529</u>	<u>-</u>	<u>1,244</u>	<u>6,558</u>
Total expenditures	<u>2,832,446</u>	<u>160,609</u>	<u>1,884,221</u>	<u>885,944</u>	<u>346,033</u>	<u>6,109,253</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>130,151</u>	<u>27,938</u>	<u>(95,265)</u>	<u>15,069</u>	<u>7,908</u>	<u>85,801</u>
OTHER FINANCING SOURCES (USES):						
Transfer in	11,069	-	360,546	-	14,358	385,973
Transfer out	(360,516)	-	-	-	(25,457)	(385,973)
Repayment of long-term lease payable	(26,086)	-	-	-	-	(26,086)
Interest expense	<u>(2,458)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,458)</u>
Total other financing sources (uses)	<u>(377,991)</u>	<u>-</u>	<u>360,546</u>	<u>-</u>	<u>(11,099)</u>	<u>(28,544)</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	(247,840)	27,938	265,281	15,069	(3,191)	57,257
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>1,411,350</u>	<u>495,379</u>	<u>567,464</u>	<u>(58,149)</u>	<u>200,084</u>	<u>2,616,128</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 1,163,510</u>	<u>\$ 523,317</u>	<u>\$ 832,745</u>	<u>\$ (43,080)</u>	<u>\$ 196,893</u>	<u>\$ 2,673,385</u>

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

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013**

Net change in fund balance (page 34) \$ 57,257

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.

Depreciation and disposition losses		(29,186)
-------------------------------------	--	----------

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

Fiscal year 2012 deferred revenue recognized in fiscal year 2013	(358,235)	
Fiscal year 2013 deferred revenue	288,293	(69,942)

Repayment of long-term capital lease obligation is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		26,086
---	--	--------

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

Decrease in compensated absences		22,656
Increase in OPEB expense		(14,000)

Change in net position of governmental activities (page 31) \$ (7,129)

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

Business-Type Activities - Enterprise Funds

	Education Services Division	Nonmajor Enterprise Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 127,765	\$ 127,765
Accounts receivable	-	200	200
Prepays	-	14,222	14,222
Due from other governments	<u>15,950</u>	<u>350</u>	<u>16,300</u>
Total current assets	15,950	142,537	158,487
Non-current assets:			
Capital assets, being depreciated, net	<u>-</u>	<u>50</u>	<u>50</u>
Total assets	<u>15,950</u>	<u>142,587</u>	<u>158,537</u>
DEFERRED OUTFLOWS OF RESOURCES			
None	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Accounts payable	94	-	94
Accrued expenses	19,922	-	19,922
Due to other governments	8,212	-	8,212
Due to other funds	<u>328,804</u>	<u>-</u>	<u>328,804</u>
Total liabilities	<u>357,032</u>	<u>-</u>	<u>357,032</u>
DEFERRED INFLOWS OF RESOURCES			
None	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	-	50	50
Unrestricted	<u>(341,082)</u>	<u>142,537</u>	<u>(198,545)</u>
Total net position	<u>\$ (341,082)</u>	<u>\$ 142,587</u>	<u>\$ (198,495)</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

Business-Type Activities - Enterprise Funds

	Education Services <u>Division</u>	Nonmajor Enterprise <u>Funds</u>	<u>Total</u>
OPERATING REVENUES:			
Fees for services	\$ 184,312	\$ 52,065	\$ 236,377
OPERATING EXPENSES:			
Salaries	61,789	7,733	69,522
Employee benefits	30,722	-	30,722
Purchased services	89,096	28,902	117,998
Supplies and materials	52,817	4,696	57,513
Other objects	878	105	983
Capital outlay	54	-	54
Total operating expenses	<u>235,356</u>	<u>41,436</u>	<u>276,792</u>
CHANGE IN NET POSITION	(51,044)	10,629	(40,415)
NET POSITION, BEGINNING OF YEAR	<u>(290,038)</u>	<u>131,958</u>	<u>(158,080)</u>
NET POSITION, END OF YEAR	<u>\$ (341,082)</u>	<u>\$ 142,587</u>	<u>\$ (198,495)</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Education Services Division</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from workshops and services	\$ 168,362	\$ 51,515	\$ 219,877
Payments to suppliers and providers of goods and services	(118,246)	(28,253)	(146,499)
Payments to employees	(92,511)	(7,733)	(100,244)
Net cash provided by (used in) operating activities	<u>(42,395)</u>	<u>15,529</u>	<u>(26,866)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interfund loans	(71,296)	-	(71,296)
Net cash used in noncapital financing activities	<u>(71,296)</u>	<u>-</u>	<u>(71,296)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(113,691)	15,529	(98,162)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>113,691</u>	<u>112,236</u>	<u>225,927</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ 127,765</u>	<u>\$ 127,765</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (51,044)	\$ 10,629	\$ (40,415)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Change in assets and liabilities:			
Accounts receivable	-	(200)	(200)
Prepays	-	5,450	5,450
Due from other governments	(15,950)	(350)	(16,300)
Accounts payable	94	-	94
Accrued expenses	16,293	-	16,293
Due to other governments	8,212	-	8,212
Net cash provided by (used in) operating activities	<u>\$ (42,395)</u>	<u>\$ 15,529</u>	<u>\$ (26,866)</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ <u>1,280</u>
LIABILITIES	
Due to other governments	\$ <u>1,280</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Criteria Used to Determine the Scope of the Entity

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

The Lake County Regional Office of Education No. 34 has developed criteria to determine whether outside agencies with activities which benefit the citizens served by the Lake County Regional Office of Education No. 34, including school districts which serve pupils in Lake County Regional Office of Education No. 34, should be included within its financial reporting entity. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Lake County Regional Office of Education No. 34 to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Lake County Regional Office of Education No. 34.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Blended Component Units

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

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

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

Lake County Regional Office of Education No. 34 administers the Attendance and Truancy Division (ATD), formerly 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 ATD. ATD, also known as the Lake County Center for Dropout Prevention, was established in 1985 to provide educational services to chronic truants and potential dropouts.

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

Lake County Regional Office of Education No. 34 administers the Northern Illinois Reading Recovery Consortium from its Grayslake office. The Lake County Regional Office of Education No. 34's Regional Superintendent of Schools is the administrative and fiscal agent for the Consortium. The Lake County Regional Office of Education No. 34 provides site coordination via a contracted consultant.

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Basis of Presentation

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

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

Governmental Fund Types

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

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

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

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

Attendance and Truancy Division (ATD), formerly 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.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Institute - Used to account for fees collected for the registration and renewal of teaching certificates. These fees are used to defray administrative expenses incidental to teachers' institutes, workshops, or meeting of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the expenses of any general or special meeting of teachers or school personnel, which has been approved. All funds generated remain restricted until expended only on the aforementioned activities.

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

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

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

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

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

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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.

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

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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.

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

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

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

Attendance and Truancy Division (ATD), formerly 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.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Attendance and Truancy Division (ATD), formerly 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 for providing this service to the school districts.

Fiduciary Fund Types

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

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

Assets and Liabilities

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

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

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Unearned revenue - Lake County Regional Office of Education No. 34 reports unearned 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.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balance

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

Nonspendable Fund Balance - the portion of a Governmental Fund's net position that are not available to be spent, either short term or long term, in either form or through legal restrictions. There are no accounts presenting a nonspendable fund balance.

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

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

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

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position presents the difference between assets and liabilities in the Statement of Net Position. Net position of the Regional Office of Education are classified as follows:

Net Investment in Capital Assets - represents the Regional Office of Education's total investment in capital assets.

Restricted Net Position - represents net position that are restricted due to constraints placed on the net asset use that are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - represents resources used for transactions relating to the general operations of the Regional Office of Education and may be used at the discretion of management to meet expenses for any purpose.

Interfund Activity

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

Revenue

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

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

provided to the Regional Office of Education on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

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

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

Illinois State Board of Education funds received by the Regional Office of Education for the Distributive Fund accrue interest for the period of time between the receipt of funds and clearance of checks to recipients. Interest is distributed among the funds of the Regional Office of Education.

Budgetary Data

The Lake County Regional Office of Education No. 34 did not adopt a formal budget nor is it legally required to do so for the year ended June 30, 2013; subsequently, the accompanying financial statements are not presented on a budgetary basis whereby budget and actual revenues and expenditures are compared; however, Illinois State Board of Education, a granting agent, requires budgets for certain program money. For the year ended June 30, 2013, a budgetary comparison schedule is presented for the following grant funds: Educational Services Division, Regional Safe Schools, Truants Alternative/Optional Education, McKinney Education for Homeless Children, ROE/ISC Operations, Title II - Teacher Quality Leadership, Workforce Development and Learning Technology Center.

Management Estimates

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

Subsequent Events

Management has evaluated subsequent events through March 24, 2014, the date the financial statements were available to be issued.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - CASH AND CASH EQUIVALENTS

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

Deposits

Lake County Regional Office of Education No. 34 utilizes several different bank accounts for its various activities. The book balance of such accounts is \$2,148,618 at June 30, 2013, while the bank balance was \$2,779,984. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2013. Of the total bank balance as of June 30, 2013, the entire amount was secured by federal depository insurance or collateral held by the pledging institution in the name of the Regional Office of Education.

Investments

Lake County Regional Office of Education No. 34's established investment policy follows the State of Illinois Public Funds Investment Act which authorizes the Regional Office of Education to purchase certain obligations of the U.S. Treasury, federal agencies, and instrumentalities; certificates of deposit and time deposits covered by Federal depository insurance; commercial paper of U.S. corporations with assets exceeding \$500,000,000, if such paper is rated at the highest classification established by at least two standard rating services; money market funds and the Illinois Funds.

As of June 30, 2013, the Regional Office of Education had investments with a carrying value of \$236,321 invested in certificates of deposits. Additionally, the Regional Office of Education has \$21,600 invested in Illinois Funds money market included in deposits above.

Credit Risk

At June 30, 2013, the Illinois Funds Money Market Fund had a Standards and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

Interest Rate Risk

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a financial institution, Lake County Regional Office of Education No. 34 will not be able to recover its investments or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2013, the Regional Office of Education's investments are fully collateralized.

Concentration of Credit Risk

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

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

	<u>Carrying Amount</u>
Cash - Primary Government	\$ 2,147,338
Cash - Agency	<u>1,280</u>
Total	<u>\$ 2,148,618</u>

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2013 is as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Governmental Funds:				
Furniture and equipment	\$ 326,584	\$ -	\$ (123,515)	\$ 203,069
Less accumulated depreciation	<u>(252,537)</u>	<u>(29,086)</u>	<u>123,415</u>	<u>(158,208)</u>
Total capital assets, net	<u>\$ 74,047</u>	<u>\$ (29,086)</u>	<u>\$ (100)</u>	<u>\$ 44,861</u>
Proprietary Funds:				
Furniture and equipment	\$ 28,820	\$ -	\$ (10,376)	\$ 18,444
Leasehold improvement	11,892	-	(11,892)	-
Less accumulated depreciation	<u>(40,662)</u>	<u>-</u>	<u>22,268</u>	<u>(18,394)</u>
Total capital assets, net	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as follows:

Governmental Funds:	
Depreciation	\$ 29,086
Proprietary Funds:	
Depreciation	-
Total depreciation	<u>\$ 29,086</u>

NOTE 4 - CAPITAL LEASES AND RELATING LONG-TERM LIABILITIES

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, 2013 were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 21,736
2015	<u>6,505</u>
Total minimum lease payments	28,241
Less: amount representing interest	<u>1,181</u>
Present value of minimum lease payments	<u>\$ 27,060</u>

Capital lease long-term liability activity for the year ended June 30, 2013, is as follows:

<u>Capital Lease</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Funds	<u>\$ 53,146</u>	<u>\$ -</u>	<u>\$ 26,086</u>	<u>\$ 27,060</u>	<u>\$ 20,629</u>

NOTE 5 - OPERATING LEASES

Lake County Regional Office of Education No. 34 is committed under lease agreements for a building facility for its Safe Schools program located in Zion, IL, and classroom space for its Educational Services Division operations located in Grayslake, IL. The lease for the Safe Schools program requires a monthly lease payment of \$11,530 with an option for annual renewal. Total lease expense for this facility for the year ended June 30, 2013 was \$138,360.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 - OPERATING LEASES (CONTINUED)

The lease agreement for the Educational Services Division is for a period of five years beginning September 1, 2011 until August 30, 2016. The lease also provides for annual increases in future rental payments based on the Consumer Price Index. The lease requires quarterly lease payments. Rental expense for the year ended June 30, 2013, was \$48,977.

The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 50,503
2015	52,018
2016	<u>26,659</u>
Total	<u>\$ 129,180</u>

NOTE 6 - EMPLOYEE BENEFIT PLAN

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

NOTE 7 - ON-BEHALF PAYMENTS

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

The breakdown of State and County on-behalf payments for the year ended June 30, 2013 is as follows:

Regional Superintendent - salary	\$ 107,640
Regional Superintendent - benefits (includes state paid insurance)	26,891
Assistant Regional Superintendent - salary	96,888
Assistant Regional Superintendent - benefits (includes state paid insurance)	34,359
TRS on-behalf payments	197,754
THIS on-behalf payments	4,604
Salaries of office workers paid by Lake County	500,746
Lake County's share in health insurance contributions	30,776
Lake County's share in retirement contributions	46,631
Other administrative expenses	<u>140,570</u>
Total on-behalf payments	<u>\$ 1,186,859</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 - ON-BEHALF PAYMENTS (CONTINUED)

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

NOTE 8 - RETIREMENT PLANS

Teachers' Retirement System of the State of Illinois

The Regional Office of Education No. 34 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The state of Illinois maintains primary responsibility for funding the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

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

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

- **On-behalf Contributions to TRS.** The state of Illinois makes employer pension contributions on behalf of the Regional Office of Education No. 34. For the year ended June 30, 2013, the state of Illinois contributions were based on 28.05 percent of creditable earnings not paid from federal funds, and the Regional Office of Education No. 34 recognized revenue and expenditures of \$197,754 in pension contributions that the state of Illinois paid directly to TRS. For the years ended June 30, 2012 and June 30, 2011, the state of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 24.91 percent (\$206,169) and 23.10 percent (\$213,282), respectively.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

- **2.2 Formula Contributions.** Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2013 were \$2,903. Contributions for the years ending June 30, 2012 and June 30, 2011, were \$3,648 and \$4,245, respectively.
- **Federal and Special Trust Fund Contributions.** When TRS members are paid from federal and special trust funds administered by the Regional Office of Education No. 34, there is a statutory requirement for the Regional Office of Education No. 34 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective for 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, 2013, the employer pension contribution was 28.05 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2012 and 2011, the employer contribution was 24.91 and 23.10 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2013, salaries totaling \$230,191 were paid from federal and special trust funds that required employer contributions of \$64,568. For the years ended June 30, 2012 and June 30, 2011, required employer contributions were \$81,684 and \$109,512, respectively.

- **Early Retirement Option (ERO).** The Regional Office of Education No. 34 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member.

The maximum employer ERO contribution under the current program is 117.5 percent and applies when the member is age 55 at retirement.

For the years ended June 30, 2013, June 30, 2012 and June 30, 2011, the Regional Office of Education No. 34 paid no employer contributions under the ERO program.

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

For the years ended June 30, 2013, June 30, 2012, and June 30, 2011, the Regional Office of Education No. 34 did not make any contributions to TRS for salary increases in excess of 6 percent.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 8 - RETIREMENT PLANS (CONTINUED)

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary rate reported by the granting employer during the four-year sick leave review period, and the TRS total normal cost rate (17.63 percent of salary during the year ended June 30, 2013).

For the years ended June 30, 2013, June 30, 2012, and June 30, 2011, the Regional Office of Education No. 34 did not make any employer contributions to TRS for sick leave days granted in excess of the normal annual allotment.

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2012. The report for the year ended June 30, 2013, is expected to be available in late 2013.

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

Illinois Municipal Retirement Fund

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

Retirement Fund

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

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Membership. At June 30, 2013, membership consisted of twenty-two active participants and six retired participants.

Funding Policy. GASB Statement No. 45 requires recognition of the current expense of OPEB based on each governing body's annual required contribution, but does not require funding of the related liability. As of June 30, 2013, Lake County Regional Office of Education has chosen not to fund the liability.

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

Components of Net OPEB Obligation and Expense

<u>Item</u>	<u>Amount as of June 30, 2013</u>
Annual required contribution	\$ 20,000
Interest on net OPEB obligation	4,000
Adjustment to annual required contribution	<u>(4,000)</u>
Annual OPEB cost	20,000
Contributions made	<u>(6,000)</u>
Increase in net OPEB obligation	14,000
Net OPEB obligation - beginning of year	<u>96,000</u>
Net OPEB obligation - end of year	<u>\$ 110,000</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Schedule of Contributions, OPEB Costs and Net Obligations

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/11	\$ 32,000	0%	\$ 64,000
06/30/12	32,000	0%	96,000
06/30/13	20,000	30%	110,000

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$145,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability of \$145,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,201,000 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.1%.

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

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

In the actuarial valuation for the fiscal year ended June 30, 2013, the projected unit credit cost method was used. The actuarial assumptions include a discount (interest) rate of 4.0% as well as a salary inflation rate of 3.0% per year. The projected annual healthcare trend rate is 8%. The ultimate healthcare trend rate is 4.5%. The healthcare trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Teachers Health Insurance Security Fund

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

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

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

- **On-behalf Contributions to THIS Fund.** The state of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education No. 34. State contributions are intended to match contributions to THIS Fund from active members which were 0.92 percent of pay during the year ended June 30, 2013. State of Illinois contributions were \$4,604, and the Regional Office of Education No. 34 recognized revenue and expenditures of this amount during the year. State contributions intended to match active member contributions during the years ended June 30, 2012 and June 30, 2011 were 0.88 percent of pay, both years. State contributions on behalf of the Regional Office of Education No. 34 employees were \$5,534 and \$6,440, respectively.
- **Employer Contributions to THIS Fund.** The Regional Office of Education No. 34 also makes contributions to THIS Fund. The employer THIS Fund contribution was 0.69 percent during the year ended June 30, 2013 and 0.66 percent during the years ended June 30, 2012 and June 30, 2011. For the year ended June 30, 2013, the Regional Office of Education No. 34 paid \$3,453 to the THIS Fund. For the years ended June 30, 2012 and June 30, 2011, the Regional Office of Education No. 34 paid \$4,151 and \$4,830 to the THIS Fund, respectively, which was 100 percent of the required contribution.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The 2013 report is listed under "Central Management Services." Prior reports are available under "Healthcare and Family Services."

NOTE 10 - COMPENSATED ABSENCES

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

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

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

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 - COMPENSATED ABSENCES (CONTINUED)

Eligible employees with at least 30 unused sick leave days in their sick bank may elect to receive cash reimbursement for sick leave days that they accrued during the current fiscal year, less any sick leave days taken that year, at 50% value. This reimbursement option is only offered to employees once a year, usually at the end of the fiscal year. Lake County Regional Office of Education No. 34 records accrued sick leave for amounts payable to employees who elected to be paid for sick days that accumulated during the current year. Accrued sick leave reimbursement amounted to \$0 as of June 30, 2013 and June 30, 2012, respectively. Lake County Regional Office of Education No. 34 suspended the sick leave day reimbursement option in fiscal year 2010 as part of its cost saving programs.

Compensated absences activity as of June 30, 2013, is as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Compensated Absences	\$63,249	\$64,820	\$87,476	\$40,593

NOTE 11 - DISPOSITION OF DISTRIBUTIVE FUND INTEREST

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

NOTE 12 - DUE FROM/TO OTHER GOVERNMENTS

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

Due From Other Governments:

<u>General Fund</u>		
Other local governments	\$	31,501
<u>Education Fund</u>		
Illinois State Board of Education		96,589
Other local governments		280,694
<u>Educational Services Division</u>		
Other local governments		306,747
<u>Nonmajor Special Revenue Funds</u>		
Illinois State Board of Education		9,433
Other local governments		39,743
<u>Education Services Division</u>		
Other local governments		15,950
<u>Nonmajor Proprietary Funds</u>		
Other local governments		350
Total	<u>\$</u>	<u>781,007</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

Due To Other Governments:

<u>General Fund</u>	
Other local governments	\$ 12,318
<u>Education Fund</u>	
Other local governments	246,725
<u>Educational Services Division</u>	
Other local governments	313
<u>Nonmajor Special Revenue Funds</u>	
Other local governments	18,898
<u>Education Services Division</u>	
Other local governments	8,212
<u>Agency Funds</u>	
Other local governments	1,280
Total	<u>\$ 287,746</u>

NOTE 13 - DUE FROM/TO FUNDS

Interfund receivables and payables, primarily made to cover cash deficits within pooled cash accounts, at June 30, 2013 were:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund		
General State Aid	\$ 25,535	\$ -
Educational Services Division Local Operations	727,750	507
Attendance and Truancy Division (ATD)	17,486	-
Education Fund		
Truants Alternative/Optional Education	-	17,486
Teacher Mentoring Program	-	242
ROE/ISC Operations	-	6,443
Title II - Teacher Quality Leadership	-	46,830
Workforce Development	30	25,028
Educational Services Division	-	331,715
Nonmajor Special Revenue Funds		
Learning Technology Center	-	13,716
Attendance and Truancy Division (ATD)	-	30
Proprietary Funds		
Education Services Division	-	328,804
Total	<u>\$ 770,801</u>	<u>\$ 770,801</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 14 - TRANSFERS

Transfers are generally made to provide supplemental funding or move resources from the fund required to collect the resources to the fund required to expend the resources. The following is the detail of interfund transfers as of June 30, 2013:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		
General State Aid	\$ -	\$ 360,516
Attendance and Truancy Division (ATD)	11,069	-
Education Fund		
Regional Safe Schools	360,516	-
Workforce Development	30	-
Nonmajor Special Revenue Funds		
Supervisory	-	19
Reading Recovery Installation Fees	-	14,339
Reading Recovery Operations	14,339	-
Distributive Interest	19	-
Attendance and Truancy Division (ATD)	-	11,099
Total	<u>\$ 385,973</u>	<u>\$ 385,973</u>

NOTE 15 - DEFICIT FUND BALANCES

The following funds had deficit fund balances/net position at June 30, 2013:

Education Fund	
Regional Safe Schools	\$ (95,816)
Truants Alternative/Optional Education	(16,587)
Teacher Mentoring Program	(242)
ROE/ISC Operations	(3,496)
Workforce Development	(33,787)
Educational Services Division	(43,080)
Nonmajor Special Revenue Fund	
Reading Recovery Operations	(7,015)
Learning Technology Center	(1,849)
Education Services Division	(341,082)

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 16 - RISK MANAGEMENT

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

NOTE 17 - NEW PRONOUNCEMENTS

In 2013, Lake County Regional Office of Education No. 34 implemented Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Lake County Regional Office of Education No. 34 implemented these standards during the current year; however, GASB Statement No. 60 and 61 had no impact on the financial statements. The implementation of GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

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

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FUNDING PROGRESS -
OTHER POSTEMPLOYMENT BENEFITS
(Unaudited)
June 30, 2013

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2013	7/1/12	\$ 0	\$ 145,000	\$ 145,000	0%	\$ 1,201,000	12.1%
2012	6/30/10	0	271,000	271,000	0%	1,154,500	23.5%
2011	6/30/10	0	271,000	271,000	0%	1,285,600	21.1%

SUPPLEMENTARY INFORMATION

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND ACCOUNTS
June 30, 2013

	<u>General State Aid</u>	<u>Educational Services Division Local Operations</u>	<u>Attendance and Truancy Division (ATD)</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 157,209	\$ 140,709	\$ 19,995	\$ 317,913
Investments	123,342	-	-	123,342
Due from other funds	25,535	727,750	17,486	770,771
Due from other governments	30,301	1,200	-	31,501
Total assets	<u>336,387</u>	<u>869,659</u>	<u>37,481</u>	<u>1,243,527</u>
DEFERRED OUTFLOWS OF RESOURCES				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 336,387</u>	<u>\$ 869,659</u>	<u>\$ 37,481</u>	<u>\$ 1,243,527</u>
LIABILITIES				
Accounts payable	\$ 1,384	\$ 136	\$ -	\$ 1,520
Accrued expenses	10,633	2,842	-	13,475
Due to other funds	-	507	-	507
Due to other governments	-	12,318	-	12,318
Unearned revenue	-	52,197	-	52,197
Total liabilities	<u>12,017</u>	<u>68,000</u>	<u>-</u>	<u>80,017</u>
DEFERRED INFLOWS OF RESOURCES				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE				
Assigned	59,279	-	37,481	96,760
Unassigned	265,091	801,659	-	1,066,750
Total fund balance	<u>324,370</u>	<u>801,659</u>	<u>37,481</u>	<u>1,163,510</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 336,387</u>	<u>\$ 869,659</u>	<u>\$ 37,481</u>	<u>\$ 1,243,527</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
Year Ended June 30, 2013

	<u>General State Aid</u>	<u>Educational Services Division Local Operations</u>	<u>Attendance and Truancy Division (ATD)</u>	<u>Totals</u>
REVENUES:				
State sources	\$ 1,587,831	\$ -	\$ -	\$ 1,587,831
Local sources:				
Intergovernmental	-	183,882	3,984	187,866
Interest	-	37	4	41
On-behalf payments	<u>1,186,859</u>	<u>-</u>	<u>-</u>	<u>1,186,859</u>
Total revenues	<u>2,774,690</u>	<u>183,919</u>	<u>3,988</u>	<u>2,962,597</u>
EXPENDITURES:				
Instructional services:				
Salaries	160,211	48,783	2,688	211,682
Employee benefits	50,707	16,055	65	66,827
Purchased services	75,889	99,015	9,355	184,259
Supplies and materials	4,555	2,150	7,222	13,927
Payments to other governments	1,166,719	-	-	1,166,719
Other objects	1,323	-	-	1,323
On-behalf payments	1,186,859	-	-	1,186,859
Capital outlay	<u>850</u>	<u>-</u>	<u>-</u>	<u>850</u>
Total expenditures	<u>2,647,113</u>	<u>166,003</u>	<u>19,330</u>	<u>2,832,446</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>127,577</u>	<u>17,916</u>	<u>(15,342)</u>	<u>130,151</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	11,069	11,069
Transfer out	(360,516)	-	-	(360,516)
Repayment of long-term lease payable	(6,046)	(20,040)	-	(26,086)
Interest expense	<u>(318)</u>	<u>(2,140)</u>	<u>-</u>	<u>(2,458)</u>
Total other financing sources (uses)	<u>(366,880)</u>	<u>(22,180)</u>	<u>11,069</u>	<u>(377,991)</u>
NET CHANGE IN FUND BALANCE	(239,303)	(4,264)	(4,273)	(247,840)
FUND BALANCE, BEGINNING OF YEAR	<u>563,673</u>	<u>805,923</u>	<u>41,754</u>	<u>1,411,350</u>
FUND BALANCE, END OF YEAR	<u>\$ 324,370</u>	<u>\$ 801,659</u>	<u>\$ 37,481</u>	<u>\$ 1,163,510</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 BUDGETARY COMPARISON SCHEDULE
 MAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2013

SCHEDULE 3

	Educational Services Division			Variance with Final Budget
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES:				
Federal sources	\$ 909,319	\$ 909,319	\$ 901,013	\$ (8,306)
EXPENDITURES:				
Instructional services:				
Salaries	329,316	302,706	312,160	(9,454)
Employee benefits	120,020	121,839	116,849	4,990
Purchased services	359,851	275,492	246,641	28,851
Supplies and materials	10,000	11,585	11,586	(1)
Payments to other governments	90,132	197,697	197,803	(106)
Other objects	-	-	905	(905)
Total expenditures	909,319	909,319	885,944	23,375
NET CHANGE IN FUND BALANCE (DEFICIT)	\$ -	\$ -	15,069	\$ 15,069
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			(58,149)	
FUND BALANCE (DEFICIT), END OF YEAR			\$ (43,080)	

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND ACCOUNTS
 June 30, 2013

SCHEDULE 4

	<u>Title I - Reading First Part B SEA Funds</u>	<u>Regional Safe Schools</u>	<u>Truants Alternative/ Optional Education</u>	<u>McKinney Education for Homeless Children</u>	<u>Juvenile Detention Fund</u>	<u>Teacher Mentoring Program</u>
ASSETS						
Cash and cash equivalents	\$ 663	\$ 120,481	\$ -	\$ 12,443	\$ 945,561	\$ -
Due from other funds	-	-	-	-	-	-
Due from other governments	-	30,407	11,162	-	245,888	-
Total assets	663	150,888	11,162	12,443	1,191,449	-
DEFERRED OUTFLOWS OF RESOURCES						
None	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
	\$ 663	\$ 150,888	\$ 11,162	\$ 12,443	\$ 1,191,449	\$ -
LIABILITIES						
Accrued expenses	\$ -	\$ -	\$ 10,263	\$ -	\$ -	\$ -
Due to other funds	-	-	17,486	-	-	242
Due to other governments	-	246,704	-	-	-	-
Unearned revenue	-	-	-	-	245,888	-
Total liabilities	-	246,704	27,749	-	245,888	242
DEFERRED INFLOWS OF RESOURCES						
None	-	-	-	-	-	-
FUND BALANCE (DEFICIT)						
Restricted	663	-	-	12,443	945,561	-
Unassigned	-	(95,816)	(16,587)	-	-	(242)
Total fund balance (deficit)	663	(95,816)	(16,587)	12,443	945,561	(242)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)						
	\$ 663	\$ 150,888	\$ 11,162	\$ 12,443	\$ 1,191,449	\$ -

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND ACCOUNTS
 June 30, 2013

SCHEDULE 4
 (CONTINUED)

	<u>Principal Mentoring Program</u>	<u>ROE/ISC Operations</u>	<u>EFAST Pilot Program</u>	<u>Title II - Teacher Quality Leadership</u>	<u>Workforce Development</u>	<u>Totals</u>
ASSETS						
Cash and cash equivalents	\$ 22,290	\$ -	\$ 1,716	\$ -	\$ -	\$ 1,103,154
Due from other funds	-	-	-	-	30	30
Due from other governments	-	8,190	-	46,830	34,806	377,283
Total assets	<u>22,290</u>	<u>8,190</u>	<u>1,716</u>	<u>46,830</u>	<u>34,836</u>	<u>1,480,467</u>
DEFERRED OUTFLOWS OF RESOURCES						
None	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
	<u>\$ 22,290</u>	<u>\$ 8,190</u>	<u>\$ 1,716</u>	<u>\$ 46,830</u>	<u>\$ 34,836</u>	<u>\$ 1,480,467</u>
LIABILITIES						
Accrued expenses	\$ -	\$ 5,243	\$ -	\$ -	\$ 9,757	\$ 25,263
Due to other funds	-	6,443	-	46,830	25,028	96,029
Due to other governments	-	-	-	-	21	246,725
Unearned revenue	-	-	-	-	33,817	279,705
Total liabilities	<u>-</u>	<u>11,686</u>	<u>-</u>	<u>46,830</u>	<u>68,623</u>	<u>647,722</u>
DEFERRED INFLOWS OF RESOURCES						
None	-	-	-	-	-	-
FUND BALANCE (DEFICIT)						
Restricted	22,290	-	1,716	-	-	982,673
Unassigned	-	(3,496)	-	-	(33,787)	(149,928)
Total fund balance (deficit)	<u>22,290</u>	<u>(3,496)</u>	<u>1,716</u>	<u>-</u>	<u>(33,787)</u>	<u>832,745</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)						
	<u>\$ 22,290</u>	<u>\$ 8,190</u>	<u>\$ 1,716</u>	<u>\$ 46,830</u>	<u>\$ 34,836</u>	<u>\$ 1,480,467</u>

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2013

SCHEDULE 5

	Title I - Reading First Part B <u>SEA Funds</u>	Regional Safe Schools	Truants Alternative/ Optional Education	McKinney Education for Homeless Children	Juvenile Detention Fund	Teacher Mentoring Program
REVENUES:						
Federal sources	\$ -	\$ -	\$ -	\$ 55,617	\$ -	\$ -
State sources	-	373,838	111,584	-	830,454	-
Local sources:						
Intergovernmental	-	265,916	-	580	-	-
Interest	-	6	-	-	-	-
Total revenues	<u>-</u>	<u>639,760</u>	<u>111,584</u>	<u>56,197</u>	<u>830,454</u>	<u>-</u>
EXPENDITURES:						
Instructional services:						
Salaries	-	-	72,334	-	318,344	-
Employee benefits	-	-	24,253	-	119,023	-
Purchased services	-	149,565	11,269	40,500	14,698	-
Supplies and materials	-	-	850	2,959	-	-
Payments to other governments	-	947,904	-	-	-	-
Other objects	-	-	-	-	116	-
Capital outlay	-	-	-	529	-	-
Total expenditures	<u>-</u>	<u>1,097,469</u>	<u>108,706</u>	<u>43,988</u>	<u>452,181</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(457,709)</u>	<u>2,878</u>	<u>12,209</u>	<u>378,273</u>	<u>-</u>
OTHER FINANCING SOURCES:						
Transfer in	-	360,516	-	-	-	-
NET CHANGE IN FUND BALANCE	-	(97,193)	2,878	12,209	378,273	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>663</u>	<u>1,377</u>	<u>(19,465)</u>	<u>234</u>	<u>567,288</u>	<u>(242)</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 663</u>	<u>\$ (95,816)</u>	<u>\$ (16,587)</u>	<u>\$ 12,443</u>	<u>\$ 945,561</u>	<u>\$ (242)</u>

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2013

SCHEDULE 5
 (CONTINUED)

	<u>Principal Mentoring Program</u>	<u>ROE/ISC Operations</u>	<u>EFAST Pilot Program</u>	<u>Title II - Teacher Quality Leadership</u>	<u>Workforce Development</u>	<u>Totals</u>
REVENUES:						
Federal sources	\$ -	\$ -	\$ -	\$ 46,830	\$ 2,851	\$ 105,298
State sources	3,000	98,280	-	-	-	1,417,156
Local sources:						
Intergovernmental	-	-	-	-	-	266,496
Interest	-	-	-	-	-	6
Total revenues	<u>3,000</u>	<u>98,280</u>	<u>-</u>	<u>46,830</u>	<u>2,851</u>	<u>1,788,956</u>
EXPENDITURES:						
Instructional services:						
Salaries	-	71,047	-	-	22,821	484,546
Employee benefits	-	13,823	-	-	3,846	160,945
Purchased services	-	13,509	-	46,830	7,472	283,843
Supplies and materials	-	-	-	-	2,529	6,338
Payments to other governments	-	-	-	-	-	947,904
Other objects	-	-	-	-	-	116
Capital outlay	-	-	-	-	-	529
Total expenditures	<u>-</u>	<u>98,379</u>	<u>-</u>	<u>46,830</u>	<u>36,668</u>	<u>1,884,221</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,000</u>	<u>(99)</u>	<u>-</u>	<u>-</u>	<u>(33,817)</u>	<u>(95,265)</u>
OTHER FINANCING SOURCES:						
Transfer in	-	-	-	-	30	360,546
NET CHANGE IN FUND BALANCE	3,000	(99)	-	-	(33,787)	265,281
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>19,290</u>	<u>(3,397)</u>	<u>1,716</u>	<u>-</u>	<u>-</u>	<u>567,464</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 22,290</u>	<u>\$ (3,496)</u>	<u>\$ 1,716</u>	<u>\$ -</u>	<u>\$ (33,787)</u>	<u>\$ 832,745</u>

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2013

SCHEDULE 6

	Regional Safe Schools				Truants Alternative/Optional Education			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final		
REVENUES:								
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	374,650	374,650	373,838	(812)	111,584	111,584	111,584	-
Local sources:								
Intergovernmental	-	-	265,916	265,916	-	-	-	-
Interest	-	-	6	6	-	-	-	-
Total revenues	374,650	374,650	639,760	265,110	111,584	111,584	111,584	-
EXPENDITURES:								
Instructional services:								
Salaries	-	-	-	-	79,132	79,132	72,334	6,798
Employee benefits	-	-	-	-	20,538	20,538	24,253	(3,715)
Purchased services	6,410	6,410	149,565	(143,155)	11,064	11,064	11,269	(205)
Supplies and materials	-	-	-	-	850	850	850	-
Payments to other governments	368,240	368,240	947,904	(579,664)	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	374,650	374,650	1,097,469	(722,819)	111,584	111,584	108,706	2,878
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	(457,709)	\$ (457,709)	\$ -	\$ -	2,878	\$ 2,878
OTHER FINANCING SOURCES:								
Transfer in			360,516				-	
NET CHANGE IN FUND BALANCE (DEFICIT)			(97,193)				2,878	
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			1,377				(19,465)	
FUND BALANCE (DEFICIT), END OF YEAR			\$ (95,816)				\$ (16,587)	

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2013

SCHEDULE 6
 (CONTINUED)

	McKinney Education for Homeless Children				ROE/ISC Operations			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final		
REVENUES:								
Federal sources	\$ 44,000	\$ 44,000	\$ 55,617	\$ 11,617	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	98,280	98,280	98,280	-
Local sources:								
Intergovernmental	-	-	580	580	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total revenues	44,000	44,000	56,197	12,197	98,280	98,280	98,280	-
EXPENDITURES:								
Instructional services:								
Salaries	-	-	-	-	72,545	72,545	71,047	1,498
Employee benefits	-	-	-	-	14,519	14,519	13,823	696
Purchased services	38,150	39,300	40,500	(1,200)	11,216	11,216	13,509	(2,293)
Supplies and materials	5,850	4,171	2,959	1,212	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-
Capital outlay	-	529	529	-	-	-	-	-
Total expenditures	44,000	44,000	43,988	12	98,280	98,280	98,379	(99)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	12,209	\$ 12,209	\$ -	\$ -	(99)	\$ (99)
OTHER FINANCING SOURCES:								
Transfer in			-				-	
NET CHANGE IN FUND BALANCE (DEFICIT)			12,209				(99)	
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			234				(3,397)	
FUND BALANCE (DEFICIT), END OF YEAR			\$ 12,443				\$ (3,496)	

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2013

SCHEDULE 6
 (CONTINUED)

	Title II - Teacher Quality Leadership				Workforce Development			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final		
REVENUES:								
Federal sources	\$ 46,830	\$ 46,830	\$ 46,830	\$ -	\$ 125,115	\$ 49,285	\$ 2,851	\$ (46,434)
State sources	-	-	-	-	-	-	-	-
Local sources:								
Intergovernmental	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total revenues	46,830	46,830	46,830	-	125,115	49,285	2,851	(46,434)
EXPENDITURES:								
Instructional services:								
Salaries	-	-	-	-	88,448	27,647	22,821	4,826
Employee benefits	-	-	-	-	4,304	4,748	3,846	902
Purchased services	46,830	46,830	46,830	-	29,438	13,766	7,472	6,294
Supplies and materials	-	-	-	-	2,925	3,124	2,529	595
Payments to other governments	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	46,830	46,830	46,830	-	125,115	49,285	36,668	12,617
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	-	\$ -	\$ -	\$ -	(33,817)	\$ (33,817)
OTHER FINANCING SOURCES:								
Transfer in			-				30	
NET CHANGE IN FUND BALANCE (DEFICIT)			-				(33,787)	
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			-				-	
FUND BALANCE (DEFICIT), END OF YEAR			\$ -				\$ (33,787)	

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2013

SCHEDULE 7

	<u>General Education Development</u>	<u>Bus Driver Training</u>	<u>Regional Board of School Trustees</u>	<u>Supervisory</u>	<u>Reading Recovery Installation Fees</u>
ASSETS					
Cash and cash equivalents	\$ 45,736	\$ 45,742	\$ 3,018	\$ -	\$ 56,249
Accounts receivable	22	8	-	-	-
Due from other governments	<u>22,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>68,428</u>	<u>45,750</u>	<u>3,018</u>	<u>-</u>	<u>56,249</u>
 DEFERRED OUTFLOWS OF RESOURCES					
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 68,428</u>	 <u>\$ 45,750</u>	 <u>\$ 3,018</u>	 <u>\$ -</u>	 <u>\$ 56,249</u>
 LIABILITIES					
Accounts payable	\$ 327	\$ 364	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	<u>18,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>19,097</u>	<u>364</u>	<u>-</u>	<u>-</u>	<u>-</u>
 DEFERRED INFLOWS OF RESOURCES					
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 FUND BALANCE (DEFICIT)					
Restricted	49,331	45,386	3,018	-	56,249
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance (deficit)	<u>49,331</u>	<u>45,386</u>	<u>3,018</u>	<u>-</u>	<u>56,249</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)	 <u>\$ 68,428</u>	 <u>\$ 45,750</u>	 <u>\$ 3,018</u>	 <u>\$ -</u>	 <u>\$ 56,249</u>

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2013

SCHEDULE 7
 (CONTINUED)

	<u>Reading Recovery Operations</u>	<u>Distributive Interest</u>	<u>Learning Technology Center</u>	<u>Attendance and Truancy Division (ATD)</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ -	\$ 1,726	\$ -	\$ 36,727	\$ 189,198
Accounts receivable	-	-	-	-	30
Due from other governments	75	-	12,431	14,000	49,176
Total assets	75	1,726	12,431	50,727	238,404
DEFERRED OUTFLOWS OF RESOURCES					
None	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 75	\$ 1,726	\$ 12,431	\$ 50,727	\$ 238,404
LIABILITIES					
Accounts payable	\$ -	\$ 597	\$ 564	\$ -	\$ 1,852
Accrued expenses	7,015	-	-	-	7,015
Due to other funds	-	-	13,716	30	13,746
Due to other governments	75	53	-	-	18,898
Total liabilities	7,090	650	14,280	30	41,511
DEFERRED INFLOWS OF RESOURCES					
None	-	-	-	-	-
FUND BALANCE (DEFICIT)					
Restricted	-	1,076	-	50,697	205,757
Unassigned	(7,015)	-	(1,849)	-	(8,864)
Total fund balance (deficit)	(7,015)	1,076	(1,849)	50,697	196,893
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)	\$ 75	\$ 1,726	\$ 12,431	\$ 50,727	\$ 238,404

**LAKE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2013**

SCHEDULE 8

	<u>General Education Development</u>	<u>Bus Driver Training</u>	<u>Regional Board of School Trustees</u>	<u>Supervisory</u>	<u>Reading Recovery Installation Fees</u>
REVENUES:					
State sources	\$ -	\$ 4,067	\$ -	\$ -	\$ -
Local sources:					
Intergovernmental	-	-	9,092	-	-
Fees for services	81,673	23,752	-	-	-
Interest	-	-	-	-	-
Total revenues	<u>81,673</u>	<u>27,819</u>	<u>9,092</u>	<u>-</u>	<u>-</u>
EXPENDITURES:					
Instructional services:					
Salaries	540	-	-	-	3,850
Employee benefits	-	-	-	-	-
Purchased services	66,697	11,489	11,090	-	-
Supplies and materials	2,555	3,626	-	-	-
Payments to other governments	-	-	-	-	-
Other objects	15	282	533	-	-
Capital outlay	680	-	-	-	-
Total expenditures	<u>70,487</u>	<u>15,397</u>	<u>11,623</u>	<u>-</u>	<u>3,850</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,186	12,422	(2,531)	-	(3,850)
OTHER FINANCING SOURCES (USES):					
Transfer in	-	-	-	-	-
Transfer out	-	-	-	(19)	(14,339)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19)</u>	<u>(14,339)</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	11,186	12,422	(2,531)	(19)	(18,189)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>38,145</u>	<u>32,964</u>	<u>5,549</u>	<u>19</u>	<u>74,438</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 49,331</u>	<u>\$ 45,386</u>	<u>\$ 3,018</u>	<u>\$ -</u>	<u>\$ 56,249</u>

LAKE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2013

SCHEDULE 8
(CONTINUED)

	<u>Reading Recovery</u> <u>Operations</u>	<u>Distributive</u> <u>Interest</u>	<u>Learning</u> <u>Technology</u> <u>Center</u>	<u>Attendance and</u> <u>Truancy Division</u> <u>(ATD)</u>	<u>Totals</u>
REVENUES:					
State sources	\$ -	\$ -	\$ 74,643	\$ -	\$ 78,710
Local sources:					
Intergovernmental	29,047	-	2,998	21,000	62,137
Fees for services	103,722	3,417	-	-	212,564
Interest	-	530	-	-	530
Total revenues	132,769	3,947	77,641	21,000	353,941
EXPENDITURES:					
Instructional services:					
Salaries	104,480	-	51,652	15,114	175,636
Employee benefits	12,764	197	18,374	-	31,335
Purchased services	13,830	2,790	4,934	395	111,225
Supplies and materials	7,057	1,885	-	1,566	16,689
Payments to other governments	4,075	1,500	-	-	5,575
Other objects	-	3,499	-	-	4,329
Capital outlay	-	-	564	-	1,244
Total expenditures	142,206	9,871	75,524	17,075	346,033
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,437)	(5,924)	2,117	3,925	7,908
OTHER FINANCING SOURCES (USES):					
Transfer in	14,339	19	-	-	14,358
Transfer out	-	-	-	(11,099)	(25,457)
Total other financing sources (uses)	14,339	19	-	(11,099)	(11,099)
NET CHANGE IN FUND BALANCE (DEFICIT)	4,902	(5,905)	2,117	(7,174)	(3,191)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	(11,917)	6,981	(3,966)	57,871	200,084
FUND BALANCE (DEFICIT), END OF YEAR	\$ (7,015)	\$ 1,076	\$ (1,849)	\$ 50,697	\$ 196,893

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2013**

	Learning Technology Center			Variance with Final Budget
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES:				
Local sources	\$ -	\$ -	\$ 2,998	\$ 2,998
State sources	36,072	74,643	74,643	-
Total revenues	36,072	74,643	77,641	2,998
EXPENDITURES:				
Instructional services:				
Salaries	26,675	53,349	51,652	1,697
Employee benefits	9,397	18,794	18,374	420
Purchased services	-	2,500	4,934	(2,434)
Capital outlay	-	-	564	(564)
Total expenditures	36,072	74,643	75,524	(881)
NET CHANGE IN FUND BALANCE (DEFICIT)	\$ -	\$ -	2,117	\$ 2,117
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			(3,966)	
FUND BALANCE (DEFICIT), END OF YEAR			\$ (1,849)	

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2013**

<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Attendance and Truancy Division (ATD)</u>	<u>Fingerprinting Assessment</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,308	\$ 124,457	\$ 127,765
Accounts receivable	-	200	200
Prepays	-	14,222	14,222
Due from other governments	-	350	350
Total current assets	<u>3,308</u>	<u>139,229</u>	<u>142,537</u>
Non-current assets:			
Capital assets being depreciated, net	<u>-</u>	<u>50</u>	<u>50</u>
Total assets	<u>3,308</u>	<u>139,279</u>	<u>142,587</u>
DEFERRED OUTFLOWS OF RESOURCES			
None	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
None	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
None	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	-	50	50
Unrestricted	<u>3,308</u>	<u>139,229</u>	<u>142,537</u>
Total net position	<u>\$ 3,308</u>	<u>\$ 139,279</u>	<u>\$ 142,587</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2013

Business-Type Activities - Enterprise Funds

	Attendance and Truancy Division <u>(ATD)</u>	Fingerprinting <u>Assessment</u>	<u>Total</u>
OPERATING REVENUES:			
Fees for services	\$ -	\$ 52,065	\$ 52,065
OPERATING EXPENSES:			
Salaries	-	7,733	7,733
Purchased services	-	28,902	28,902
Supplies and materials	-	4,696	4,696
Other objects	-	105	105
Total operating expenses	-	41,436	41,436
CHANGE IN NET POSITION	-	10,629	10,629
NET POSITION, BEGINNING OF YEAR	3,308	128,650	131,958
NET POSITION, END OF YEAR	\$ 3,308	\$ 139,279	\$ 142,587

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Attendance and Truancy Division (ATD)</u>	<u>Fingerprinting Assessment</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from workshops and services	\$ -	\$ 51,515	\$ 51,515
Payments to suppliers and providers of goods and services	-	(28,253)	(28,253)
Payments to employees	-	(7,733)	(7,733)
Net cash provided by operating activities	<u>-</u>	<u>15,529</u>	<u>15,529</u>
CHANGE IN CASH AND CASH EQUIVALENTS	-	15,529	15,529
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,308</u>	<u>108,928</u>	<u>112,236</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,308</u>	<u>\$ 124,457</u>	<u>\$ 127,765</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ -	\$ 10,629	\$ 10,629
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets:			
Accounts receivable	-	(200)	(200)
Prepays	-	5,450	5,450
Due from other governments	-	(350)	(350)
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ 15,529</u>	<u>\$ 15,529</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
**STATEMENT OF CHANGES IN
 ASSETS AND LIABILITIES
 AGENCY FUNDS**
 Year Ended June 30, 2013

SCHEDULE 13

	<u>Balance, July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2013</u>
DISTRIBUTIVE FUND				
ASSETS				
Cash and cash equivalents	\$ 1,142	\$ 351,116	\$ 350,978	\$ 1,280
LIABILITIES				
Due to other governments	\$ 1,142	\$ 351,116	\$ 350,978	\$ 1,280

LAKE COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 34
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
 Year Ended June 30, 2013

SCHEDULE 14

<u>Program</u>	<u>Regional Superintendent of Schools</u>	<u>Education Service Center</u>	<u>Truancy Alternative Program</u>	<u>North Chicago CUSD 187</u>	<u>North Shore District 112</u>	<u>Glenview CSD 34</u>	<u>Totals</u>
General State Aid - Safe School	\$ 33,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,373
General State Aid - ALOP	108,229	-	-	-	-	-	108,229
Truant Alternative Optional Education	-	-	37,385	-	-	-	37,385
ROE Safe School	141,015	-	-	-	-	-	141,015
Technology - Learning Technology Center	-	18,033	-	-	-	-	18,033
ARRA Education Jobs Fund - Safe School	532	-	-	-	-	-	532
ARRA GSA Education Jobs Fund - ALOP	1,822	-	-	-	-	-	1,822
Federal Impact Aid	-	-	-	8,943	813	833	10,589
Totals	<u>\$ 284,971</u>	<u>\$ 18,033</u>	<u>\$ 37,385</u>	<u>\$ 8,943</u>	<u>\$ 813</u>	<u>\$ 833</u>	<u>\$ 350,978</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2013

<u>Federal Grantor/Pass- Through Grantor, Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Project Number (1st 8 digits) or Contract #</u>	<u>Federal Expenditures 7/1/2012-6/30/2013</u>
U.S. Department of Education			
Title I Grants to Local Educational Agencies			
Passed through Will County Regional Office of Education No. 56			
(M) Title I - School Improvement and Accountability	84.010A	2013-4331-SS	\$ 884,636
Education for Homeless Children and Youth			
Passed through Will County Regional Office of Education No. 56			
McKinney Education for Homeless Children	84.196A	2013-4920-00	43,988
Improving Teacher Quality State Grants			
Passed through Illinois State Board of Education			
Title II - Teacher Quality Leadership	84.367A	2013-4935-00	46,830
U.S. Department of Health and Human Services			
Affordable Care Act (ACA) State Health Care Workforce Development Grants			
Passed through Workforce Development Department of Lake County			
Workforce Development	93.509	13019	<u>36,668</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,012,122</u>

(M) Program was audited as a major program

The accompanying notes are an integral part of this schedule.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

NOTE 1 - REPORTING ENTITY BASIS OF PRESENTATION AND ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Regional Office of Education No. 34 and is presented 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 - DESCRIPTION OF FEDERAL PROGRAMS AUDITED AS A MAJOR PROGRAM

Title I - School Improvement and 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 3 - SUBRECIPIENTS

NONE

NOTE 4 - NON-CASH ASSISTANCE

NONE

NOTE 5 - AMOUNT OF INSURANCE

NONE

NOTE 6 - LOANS OR LOAN GUARANTEES OUTSTANDING

NONE

This information is an integral part of the accompanying schedule.