

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

FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2017

PERFORMED AS SPECIAL ASSISTANT AUDITORS
FOR THE AUDITOR GENERAL, STATE OF ILLINOIS

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

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LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Officials

June 30, 2017

Regional Superintendent
(During the Audit Period and Current)

Honorable Roycealee J. Wood

Assistant Regional Superintendent
(Current, Effective July 1, 2018)

Mr. Mike Munda

Assistant Regional Superintendent
(July 1, 2016 through June 30, 2018)

Mr. Gary E. Pickens

Office is located at:
800 Lancer Lane
Suite E-128
Grayslake, IL 60030-2656

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Financial Report Summary
Year Ended June 30, 2017**

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

AUDITORS' REPORTS

The auditors' reports do not contain scope limitations, disclaimers, or other significant nonstandard language.

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit Findings	2	2
Repeated Audit Findings	2	1
Prior Recommendations Implemented or Not Repeated	-	3

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

SUMMARY OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<i>Findings (Government Auditing Standards)</i>			
2017-001	10	Controls Over Financial Statement Preparation	Material Weakness
2017-002	12	Inadequate Controls Over Bank Reconciliations	Material Weakness

Prior Audit Findings Not Repeated (Government Auditing Standards)

None

EXIT CONFERENCE

Per correspondence on December 19, 2018, management of the ROE waived a formal exit conference.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Financial Statement Report Summary
Year Ended June 30, 2017**

The audit of the accompanying basic financial statements of Lake County Regional Office of Education No. 34 was performed by Lauterbach & Amen, LLP.

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

FINANCIAL SECTION

This section includes:

- Independent Auditors' Report
- 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*
- Schedule of Findings and Responses
- Corrective Action Plan for Current Year Audit Findings
- Summary Schedule of Prior Audit Findings
- Basic Financial Statements
- Required Supplementary Information
- Other Supplementary Information



INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
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 (ROE), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the ROE'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.

Auditor's 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 auditor's judgment, including the assessment of 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 ROE'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 ROE's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake County Regional Office of Education No. 34, as of June 30, 2017, 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 required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other 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 other supplementary information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information as listed in the table of contents is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the 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 other supplementary information as listed in the table of contents is 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 August 26, 2019 on our consideration of the ROE's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ROE's 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 ROE's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

LAUTERBACH & AMEN, LLP
Naperville, Illinois
August 26, 2019



**INDEPENDENT AUDITOR’S 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 Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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 the Lake County Regional Office of Education No. 34 (ROE), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the ROE’s basic financial statements, and have issued our report thereon dated August 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the ROE’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 opinion(s) on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ROE’s internal control. Accordingly, we do not express an opinion on the effectiveness of the ROE’s internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Responses as items 2017-001 and 2017-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

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

The ROE's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The ROE's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ROE'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 ROE's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

LAUTERBACH & AMEN, LLP
Naperville, Illinois
August 26, 2019

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Schedule of Findings and Responses
Year Ended June 30, 2017**

Section I: Summary of Auditors Results

Financial Statements in accordance with GAAP

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes

Significant deficiency(ies) identified?

No

Noncompliance material to financial statements noted?

No

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Schedule of Findings and Responses Year Ended June 30, 2017

Section II: Financial Statement Findings

FINDING NO. 2017-001 - Controls Over Financial Statement Preparation (Repeat from 16-001, 15-001, 14-001, 13-001, 12-1, 11-1 and 10-1)

Criteria/Specific Requirement:

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

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

GASB Statements No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, require governments to record and present net accrued pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. These standards further prescribe the methods and assumptions that are to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of service.

Condition:

The Regional Office of Education No. 34 does not have sufficient internal controls over the financial reporting process. While the Regional Office 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.

The Regional Office of Education No. 34 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 balances of supporting records and reconciliations agreed to the general ledger financial statement accounts.

**Schedule of Findings and Responses
Year Ended June 30, 2017**

Section II: Financial Statement Findings – Continued

FINDING NO. 2017-001 - Controls Over Financial Statement Preparation (Repeat from 16-001, 15-001, 14-001, 13-001, 12-1, 11-1 and 10-1) – Continued

Effect:

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

Cause:

Management did not effectively detect all of the material adjustments, including those required under GASB Statements No. 68 and No. 71 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 the financial statements, including disclosures, are complete and accurate. The Regional Office should ensure all general ledger financial statement accounts agree to supporting records and reconciliations. In addition, the Regional Office should perform a detailed review of activity subsequent to fiscal year end to ensure all accruals are properly recorded. These procedures should be performed by a properly trained individual possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office's activities and operations.

Management's Response:

The Lake ROE agrees with the finding and will continue to implement comprehensive preparation and review procedures to ensure that financial statements including disclosures are complete and accurate. To streamline preparation of comprehensive financial statements, the Lake ROE has finalized efforts to consolidate multiple installations of the financial management software. This merged data system has been tested and validated. The new merged system is undergoing continual review and will be the sole financial system in use for the FY 2018 audit. Also 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 continued to contract with a part-time business consultant who continues to review Lake ROE business procedures and controls. Finally, the Lake ROE will work to integrate Regional Safe School accounting records into the Lake ROE's financial management software system for the FY 2018 audit.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Schedule of Findings and Responses Year Ended June 30, 2017

Section II: Financial Statement Findings – Continued

FINDING NO. 2017-002 - Inadequate Controls Over Bank Reconciliations (Repeat from 16-002)

Criteria/Specific Requirement:

Adequate internal controls over cash require that all cash in the custody of the Regional Office of Education No. 34 be recorded in the general ledger and that each month's bank statements be reconciled to the related general ledger account balances.

Condition:

Although bank reconciliations were performed for the period ended June 30, 2017, auditors noted the total of all cash accounts per the general ledger was not properly reconciled to the Regional Office of Education No. 34's bank accounts.

Effect:

Bank statements not reconciled properly to the general ledger could result in unintentional or intentional errors or fraud, which could be material to the financial statements and may not be detected and corrected in a timely manner by employees in the normal course of performing their assigned duties.

Cause:

The Regional Office of Education No. 34 has inadequate internal controls in place to ensure bank statements are properly reconciled to the related general ledger cash accounts.

Recommendation:

The Regional Office of Education No. 34's management should ensure all cash accounts per the general ledger are properly reconciled to the relating bank accounts. Management should ensure that all reconciling items are reviewed for accuracy with the appropriate follow-up as necessary.

Management's Response:

The Lake ROE agrees with the finding and will establish adequate internal controls over cash to ensure all cash accounts per the general ledger are properly reconciled to the relating bank accounts. Management will also ensure that all reconciling items are reviewed for accuracy with the appropriate follow-up as necessary. This will be done using the newly refined merged financial management system/database and the resulting consolidation of multiple bank accounts. All cash in the custody of the Regional Office of Education No. 34 shall be recorded in the general ledger and each month's bank statements will be reconciled to the related general ledger account balances.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Corrective Action Plan for Current Year Findings Year Ended June 30, 2017

FINDING NO. 2017-001 - Controls Over Financial Statement Preparation (Repeat from 16-001, 15-001, 14-001, 13-001, 12-1, 11-1 and 10-1)

Condition:

The Regional Office of Education No. 34 does not have sufficient internal controls over the financial reporting process. While the Regional Office 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.

The Regional Office of Education No. 34 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 balances of supporting records and reconciliations agreed to the general ledger financial statement accounts.

Plan:

- Continue implementation of current comprehensive preparation and review procedures to ensure that financial statements including disclosures are complete and accurate.
- Validate and refine the recently merged financial management system and database to ensure consistent definition of funds and programs across all divisions (ROE, ATD, ESD, and recently integrated RSSP financial records).
- Integrate GASB (Governmental Accounting Standards Board) Statements No. 68 and No. 71 material adjustments needed to present financial statements in accordance with GAAP (Generally Accepted Accounting Principles). Work with Lake County to ensure information pertaining to the ROE pensions is identified and reported in a timely manner.
- Continue to conduct additional training regarding successful use of the Lake ROE's merged financial management software. This training includes ongoing training and orientation of the ROE's accountant and support staff.
- Continue to contract with a part-time business consultant through FY 2018 to review Lake ROE business procedures and controls.
- Revise and implement staff operating procedures and internal controls to include a consolidated financial management system (ongoing).

Anticipated Completion Date:

Currently in progress. Expected completion by June 30, 2018 for preparation of Fiscal Year 2018 financial statements.

Contact Person Responsible for Corrective Action:

Honorable Roycealee Wood, Regional Superintendent

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Corrective Action Plan for Current Year Findings
Year Ended June 30, 2017**

FINDING NO. 2017-002 - Inadequate Controls Over Bank Reconciliations (Repeat from 16-002)

Condition:

Although bank reconciliations were performed for the period ended June 30, 2017, auditors noted the total of all cash accounts per the general ledger was not properly reconciled to the Regional Office of Education No. 34's bank accounts.

Plan:

- Continue to use the merged financial management data system to identify and correct instances of incorrect historic account reconciliation activities, primarily between the various divisions of the Lake ROE. Include Regional Safe School accounts in this process.
- Reconcile all continuing bank accounts of the Regional Office of Education monthly using the merged financial management accounting software.
- If an event occurs that will alter a month's previously completed bank reconciliation, that month and all subsequent months will be corrected.
- Each month an administrator or designee will confirm that the cash balances indicated on the bank statement(s) agree with the financial reports generated by the accounting software of the Regional Office of Education.

Anticipated Completion Date:

Currently in progress. Expected completion by June 30, 2018 for preparation of Fiscal Year 2018 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 Not Repeated
Year Ended June 30, 2017**

Not applicable in the current year

BASIC FINANCIAL STATEMENTS

The basic financial Statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements

Governmental Funds

Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Statement of Net Position
June 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 3,051,361	346,122	3,397,483
Accounts Receivable	1,514	2,630	4,144
Due from Other Governments	1,335,260	367	1,335,627
Internal Balances	960,951	(960,951)	-
Prepays	11,225	-	11,225
Total Current Assets	5,360,311	(611,832)	4,748,479
Noncurrent Assets			
Capital Assets - Net of Depreciation	26,989	9,987	36,976
Total Assets	5,387,300	(601,845)	4,785,455
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions - IMRF	121,071	-	121,071
Deferred Outflows Related to Pensions - TRS	194,614	-	194,614
	315,685	-	315,685

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 92,071	-	92,071
Accrued Payroll	27,903	1,706	29,609
Due to Other Governments	314,071	-	314,071
Unearned Revenue	28,655	-	28,655
Compensated Absences Payable	5,900	-	5,900
Capital Lease Payable	16,845	-	16,845
Total Current Liabilities	485,445	1,706	487,151
Noncurrent Liabilities			
Compensated Absences Payable	23,598	-	23,598
Net Pension Liability - IMRF	154,546	-	154,546
Net Pension Liability - TRS	269,246	-	269,246
Other Post-Employment			
Benefit Obligation Payable	166,416	-	166,416
Capital Lease Payable	10,262	-	10,262
Total Noncurrent Liabilities	624,068	-	624,068
Total Liabilities	1,109,513	1,706	1,111,219
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions - IMRF	23,654	-	23,654
Deferred Inflows Related to Pensions - TRS	605,707	-	605,707
Total Deferred Inflows of Resources	629,361	-	629,361
NET POSITION			
Net Investment in Capital Assets	(118)	9,987	9,869
Restricted for Educational Purposes	3,806,115	-	3,806,115
Unrestricted	158,114	(613,538)	(455,424)
Total Net Position	3,964,111	(603,551)	3,360,560

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Statement of Activities
For the Year Ended June 30, 2017**

	Expenses	Program Revenues	
		Charges for Services	Operating Grants/ Contributions
Functions/Programs			
Primary Government			
Governmental Activities			
Instructional Services			
Salaries	\$ 1,089,724	52,273	42,876
Employee Benefits	392,498	8,042	14,428
Pension Expense	(166,736)	-	-
Purchased Services	506,585	184,965	17,014
Supplies and Materials	42,653	16,084	272
Payments to Other Governments	3,918,043	112,587	58,121
Other Objects	162,120	28,147	1,361
Capital Outlay	1,208	-	2,042
Depreciation	19,118	-	-
Administrative			
On-Behalf Payments	1,306,886	-	1,306,886
Total Governmental Activities	7,272,099	402,098	1,443,000
Business-Type Activities			
Professional Development	152,795	159,887	-
Total Primary Government	7,424,894	561,985	1,443,000
		General Revenues	
		Local Sources	
		Intergovernmental	
		Interest Income	
		Miscellaneous	
		State Sources	
		Total General Revenues	
		Change in Net Position	
		Net Position - Beginning as Restated (See Note 3)	
		Net Position - Ending	

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

Net (Expenses)/Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(994,575)	-	(994,575)
(370,028)	-	(370,028)
166,736	-	166,736
(304,606)	-	(304,606)
(26,297)	-	(26,297)
(3,747,335)	-	(3,747,335)
(132,612)	-	(132,612)
834	-	834
(19,118)	-	(19,118)
-	-	-
(5,427,001)	-	(5,427,001)
-	7,092	7,092
(5,427,001)	7,092	(5,419,909)
1,379,068	-	1,379,068
1,774	-	1,774
41,906	-	41,906
4,562,756	-	4,562,756
5,985,504	-	5,985,504
558,503	7,092	565,595
3,405,608	(610,643)	2,794,965
3,964,111	(603,551)	3,360,560

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Balance Sheet - Governmental Funds
June 30, 2017**

	General Fund	Special Revenue Institute Fund	Education Fund	Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 188,965	776,572	1,802,580	283,244	3,051,361
Accounts Receivable	-	-	1,514	-	1,514
Due from Other Funds	977,787	145,571	-	54,163	1,177,521
Due from Other Governments	-	-	1,265,149	70,111	1,335,260
Prepays	-	-	11,225	-	11,225
Total Assets	1,166,752	922,143	3,080,468	407,518	5,576,881
DEFERRED OUTFLOWS OF RESOURCES					
None	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	1,166,752	922,143	3,080,468	407,518	5,576,881
LIABILITIES					
Accounts Payable	29,017	6,917	45,811	10,326	92,071
Accrued Payroll	18,824	-	8,689	390	27,903
Due to Other Funds	-	-	96,902	119,668	216,570
Due to Other Governments	-	-	314,071	-	314,071
Unearned Revenue	27,415	-	-	1,240	28,655
Total Liabilities	75,256	6,917	465,473	131,624	679,270
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	-	893,789	-	893,789
FUND BALANCES					
Nonspendable	-	-	11,225	-	11,225
Restricted	-	915,226	1,797,152	319,508	3,031,886
Assigned	66,245	-	-	-	66,245
Unassigned	1,025,251	-	(87,171)	(43,614)	894,466
Total Fund Balances	1,091,496	915,226	1,721,206	275,894	4,003,822
Total Liabilities, Deferred Inflows of Resources and Fund Balances	1,166,752	922,143	3,080,468	407,518	5,576,881

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Reconciliation of Governmental Funds Balance Sheet to the
Statement of Net Position - Governmental Activities**

June 30, 2017

Total Governmental Fund Balances \$ 4,003,822

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. 26,989

Receivables not collected within 60 days of year-end are not available soon enough to pay
for the current periods expenditures and, therefore, are considered unavailable revenue in
the funds. 893,789

Pension related deferred outflows of resources and deferred inflows of resources are not
due and payable in the current year and, therefore, are not reported in the governmental
funds.

Deferred Outflows	
IMRF	121,071
TRS	194,614
Deferred Inflows	
IMRF	(23,654)
TRS	(605,707)

Long-term liabilities are not due and payable in the current period and therefore are not
reported in the funds.

Compensated Absences Payable	(29,498)
Net Pension Liability - IMRF	(154,546)
Net Pension Liability - TRS	(269,246)
Other Post-Employment Benefit Obligation Payable	(166,416)
Capital Lease Payable	(27,107)

Net Position of Governmental Activities 3,964,111

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2017**

	General Fund	Special Revenue		Nonmajor Funds	Total Governmental Funds
		Institute Fund	Education Fund		
Revenues					
Federal Sources	\$ -	-	77,246	58,868	136,114
State Sources	3,341,040	-	1,118,964	102,752	4,562,756
Local Sources					
Intergovernmental	182,959	590	669,700	27,959	881,208
Fees for Services	-	260,429	-	141,669	402,098
Interest Income	-	144	-	1,630	1,774
Miscellaneous	-	-	41,906	-	41,906
On-Behalf Payments	983,345	-	-	-	983,345
Total Revenues	4,507,344	261,163	1,907,816	332,878	7,009,201
Expenditures					
Instructional Services					
Salaries	191,095	33,134	779,329	86,166	1,089,724
Employee Benefits	42,346	6,042	247,890	18,464	314,742
Pension Expense	16,019	-	62,786	13,434	92,239
Purchased Services	109,358	50,061	245,661	99,535	504,615
Supplies and Materials	5,181	6,151	5,868	25,453	42,653
Payments to Other Governments	2,711,032	69,362	1,137,649	-	3,918,043
Other Objects	2,433	49,007	61,755	48,925	162,120
On-Behalf Payments	983,345	-	-	-	983,345
Capital Outlay	-	1,208	-	-	1,208
Debt Service					
Repayment of Long Term Lease	15,946	-	-	-	15,946
Interest	1,970	-	-	-	1,970
Total Expenditures	4,078,725	214,965	2,540,938	291,977	7,126,605
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	428,619	46,198	(633,122)	40,901	(117,404)
Other Financing Sources (Uses)					
Transfers In	66,700	-	498,683	7,000	572,383
Transfers Out	(505,683)	-	(66,700)	-	(572,383)
	(438,983)	-	431,983	7,000	-
Net Change in Fund Balances	(10,364)	46,198	(201,139)	47,901	(117,404)
Fund Balances - Beginning	1,101,860	869,028	1,922,345	227,993	4,121,226
Fund Balances - Ending	1,091,496	915,226	1,721,206	275,894	4,003,822

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Governmental Activities**

For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (117,404)

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 Expense (19,118)

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

Prior Year Unavailable Revenue (395,929)
Current Year Unavailable Revenue 893,789

Deferred outflows (inflows) of resources related to the pensions not reported in the funds.

Change in Deferred Items - IMRF (50,196)
Change in Deferred Items - TRS 447,443

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

Additions to Compensated Absences Payable (7,266)
Deductions to Net Pension Liability - IMRF 24,747
Additions to Net Pension Liability - TRS (214,093)
Additions to Other Post-Employment Benefit Obligation Payable (19,416)
Decrease of Capital Lease Payable 15,946

Changes in Net Position of Governmental Activities 558,503

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Statement of Net Position - Proprietary Funds
June 30, 2017**

	<u>Business-Type Activities - Enterprise Funds</u>		
	Education		
	Services Division	Nonmajor	Totals
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 230,226	115,896	346,122
Accounts Receivable	2,630	-	2,630
Due from Other Governments	-	367	367
Total Current Assets	<u>232,856</u>	<u>116,263</u>	<u>349,119</u>
Noncurrent Assets			
Capital Assets - Net of Depreciation	-	9,987	9,987
Total Assets	<u>232,856</u>	<u>126,250</u>	<u>359,106</u>
LIABILITIES			
Current Liabilities			
Accrued Payroll	1,706	-	1,706
Due to Other Funds	960,951	-	960,951
Total Current Liabilities	<u>962,657</u>	<u>-</u>	<u>962,657</u>
NET POSITION			
Net Investment in Capital Assets	-	9,987	9,987
Unrestricted	<u>(729,801)</u>	<u>116,263</u>	<u>(613,538)</u>
Total Net Position	<u>(729,801)</u>	<u>126,250</u>	<u>(603,551)</u>

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
For the Year Ended June 30, 2017**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Education</u>		
	<u>Services</u>		
	<u>Division</u>	<u>Nonmajor</u>	<u>Totals</u>
Operating Revenues			
Fees for Services	\$ 132,374	27,513	159,887
Operating Expenses			
Salaries	12,057	-	12,057
Employee Benefits	5,336	-	5,336
Pension Expense	1,505	-	1,505
Purchased Services	43,684	35,795	79,479
Supplies and Materials	28,257	2,164	30,421
Other Objects	7,050	7,916	14,966
Capital Outlay	-	6,516	6,516
Depreciation	-	2,515	2,515
Total Operating Expenses	97,889	54,906	152,795
Change in Net Position	34,485	(27,393)	7,092
Net Position - Beginning as Restated (See Note 3)	(764,286)	153,643	(610,643)
Net Position - Ending	(729,801)	126,250	(603,551)

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2017**

	Business-Type Activities - Enterprise Funds		
	Education		
	Services		
	Division	Nonmajor	Totals
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 134,592	27,545	162,137
Payments to Employees	(17,192)	-	(17,192)
Payments to Suppliers	(86,303)	(50,662)	(136,965)
Net Cash Flows Provided by (Used In) Operating Activities	31,097	(23,117)	7,980
Cash Flows from Noncapital Financing Activities			
Interfund Loans	179,226	-	179,226
Net Change in Cash and Cash Equivalents	210,323	(23,117)	187,206
Cash and Cash Equivalents - Beginning	19,903	139,013	158,916
Cash and Cash Equivalents - Ending	230,226	115,896	346,122
Reconciliation of Operating Income to Net			
Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	34,485	(27,393)	7,092
Adjustments to Reconcile Operating			
Income to Net Cash			
Provided by (Used in) Operating Activities:			
Depreciation Expense	-	2,515	2,515
(Increase) Decrease in Current Assets			
Accounts Receivable	(2,630)	-	(2,630)
Due from Other Governments	4,848	32	4,880
Prepays	-	3,585	3,585
Increase (Decrease) in Current Liabilities			
Accrued Expenses	(7,312)	(1,856)	(9,168)
Accrued Payroll	1,706	-	1,706
Net Cash Provided by (Used in) Operating Activities	31,097	(23,117)	7,980

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Lake County Regional Office of Education No. 34 (ROE) is an entity that is a result of an Educational Service Region becoming a Regional Office of Education as of August 7, 1995. The Lake County Regional Office of Education 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.

BLENDED COMPONENT UNITS

In determining the financial reporting entity, the ROE complies with the provisions of GASB Statement No. 61, "The Financial Reporting Omnibus – an Amendment of GASB Statements No. 14 and No. 34," and includes all component units that have a significant operational or financial relationship with the ROE. Based upon the criteria set forth in the GASB Statement No. 61 all component units that have a significant operational or financial relationship with the ROE have been included.

The following component units are entities, which are legally separate from the ROE, 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 the ROE and blended into the appropriate funds.

On August 8, 1995, the ROE 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 ROE'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

Notes to the Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BLENDED COMPONENT UNITS – Continued

The ROE administers the Attendance and Truancy Division (ATD) from its Grayslake office. The ROE'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.

The ROE administers the Northern Illinois Reading Recovery Consortium from its Grayslake office. The ROE's Regional Superintendent of Schools is the administrative and fiscal agent for the Consortium. The ROE provides site coordination via a contracted consultant.

The ROE provides administrative support for the Regional Board of School Trustees from its Grayslake office. The ROE's Regional Superintendent of Schools serves as Ex-Officio Secretary of the Board.

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.

The ROE 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 Statements

The ROE's basic financial statements include both government-wide (reporting the ROE as a whole) and fund financial statements (reporting the ROE's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are: (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets/deferred outflows and receivables as well as long-term debt/deferred inflows and obligations. The ROE's net position is reported in three parts: net investment in capital assets; restricted; and unrestricted. The ROE first utilizes restricted resources to finance qualifying activities.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Government-Wide Statements – Continued

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

This government-wide focus is more on the sustainability of the ROE as an entity and the change in the ROE's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the ROE are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets/deferred outflows, liabilities/deferred inflows, fund balance, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets/deferred outflows, liabilities/deferred inflows, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The ROE may electively add funds, as major funds, which have a specific or community focus. The nonmajor funds are combined in a single column in the fund financial statements. A fund is considered major if it is the primary operating fund of the ROE or meets the following criteria:

Total assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

Total assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

The various funds are reported within the financial statements. The following fund types are used by the ROE:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the ROE:

General Fund. The General Fund is the general operating fund of the ROE. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund. The following accounts (subfunds) are included in the general funds:

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

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

Attendance and Truancy Division (ATD) - Used to account for monies received from interest, donations, and various miscellaneous income. These funds are used to defray staff development, training and professional membership expenses.

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

Institute Fund. Used to account for fees collected for the registration and renewal of teaching licenses. These fees are used to defray administrative expenses incidental to teachers' institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the 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.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Governmental Funds – Continued

Special Revenue Funds – Continued.

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

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

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

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

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

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

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

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 a high-quality mentoring experience from trained mentors.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Governmental Funds – Continued

Special Revenue Funds – Continued.

Education Fund – Continued.

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.

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

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

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.

Bus Driver Training - Used to account for the revenues and expenditures 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.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Governmental Funds – Continued

Special Revenue Funds – Continued.

Nonmajor Special Revenue Funds – Continued

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

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

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

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

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

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.

Proprietary Funds

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 expenses incurred providing a variety of in service training workshops and conferences.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Proprietary Funds – Continued

Nonmajor Enterprise Funds - The Regional Office of Education reported the following funds as nonmajor enterprise funds:

Attendance and Truancy Division (ATD) - Used to account for the fees received and expenses 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 expenses incurred for providing this service to the school districts.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

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

In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The ROE records on-behalf payments made by the State to the Teachers' Retirement System as revenue and expenditures.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

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, the ROE funds certain programs by a combination of specific cost-reimbursement grant resources to such programs, and then general revenues. It is the ROE's policy to first apply restricted funds, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned, if any.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the ROE's enterprise funds are charges to users for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The ROE maintains its financial records on the cash basis. The financial statements of the ROE are prepared by making memorandum adjusting entries to the cash basis financial records.

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR FUND BALANCE

Cash and Investments

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

State regulations require that the ROE 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 ROE to make deposits or invest in obligations 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.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR FUND BALANCE – Continued

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Major receivables balances for governmental and business-type activities include amounts due from other governments. Due from other governments represents amounts due from the Illinois State Board of Education, other agencies, and districts.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements. Prepaids are valued at cost, which approximates market value. The costs of governmental fund-type prepaids are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the ROE as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statements. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets.

The ROE 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.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR FUND BALANCE – Continued

Capital Assets – Continued

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Furniture and Equipment	3 - 7 Years
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Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental funds consist of receivables not collected within 60 days after year end. Deferred inflows of resources in the Statement of Net Position relate to pensions and consist of the unamortized portion of the net difference between expected and actual experience, changes of assumptions, and the net difference between projected and actual earnings on pension plan investments.

Unearned Revenue

The ROE reports unearned revenue when proceeds have been received but will be earned or spent in a succeeding fiscal year.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR FUND BALANCE – Continued

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Teachers' Retirement System of the State of Illinois (TRS) and Illinois Municipal Retirement Fund (IMRF) and additions to/deductions from TRS' and IMRF's fiduciary net positions have been determined on the same basis as they are reported by TRS and IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Interfund Receivables, Payables and Activity

Interfund activity is reported as 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 proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Compensated Absences

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

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

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR FUND BALANCE – Continued

Compensated Absences – Continued

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.

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. The ROE 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, 2017 and June 30, 2016. The ROE suspended the sick leave day reimbursement option in fiscal year 2010 as part of its cost saving programs.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR FUND BALANCE – Continued

Net Position

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

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

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

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

Revenue

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

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

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 licensure and permit revenues are recognized in the year for which the licenses and permits are issued.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR FUND BALANCE – Continued

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.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

The ROE did not adopt a formal budget nor is it legally required to do so for the year ended June 30, 2017; subsequently, the accompanying financial statements are not presented on a budgetary basis whereby budget and actual revenues and expenditures are compared; however, the Illinois State Board of Education, a granting agent, requires budgets for certain program money. For the year ended June 30, 2017, a budgetary comparison schedule is presented for the following grant funds: Regional Safe Schools, Truants Alternative/Optional Education, McKinney Education for Homeless Children, ROE/ISC Operations, Title II - Teacher Quality Leadership and Learning Technology Center.

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following fund had an excess of actual expenditures over budget as of the date of this report:

Fund	Excess
Education - Regional Safe Schools	\$ 909,637
Education - ROE/ISC Operations	40,354
Nonmajor Special Revenue - Learning Technology Center	6,690

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

DEFICIT FUND BALANCE/NET POSITION

The following funds had deficit fund balance/net position as of the date of this report:

Fund	Deficit
Education - Truants Alternative/Optional Education	\$ 83,517
Education - Teacher Mentoring Program	242
Education - ROE/ISC Operations	1,880
Nonmajor Special Revenue - Learning Technology Center	4,441
Nonmajor Special Revenue - Educational Services Division	39,173
Business-Type - Education Services Division	729,801

DEPOSITS AND INVESTMENTS

Permitted Deposits and Investments – Statutes authorize the ROE to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, Illinois Funds.

The Illinois Funds is an investment pool managed by the Illinois Public Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. The Illinois Funds is not registered with the SEC as an investment company. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold.

Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits and Investments. At year-end, the carrying amount of the ROE’s deposits totaled \$3,395,843 and the bank balances totaled \$3,562,378. Additionally, the ROE had \$1,640 invested in Illinois Funds at year-end.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements

June 30, 2017

NOTE 3 – DETAIL NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS – Continued

Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Credit Risk. At June 30, 2017, 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.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of a financial institution, the ROE 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. At year-end, the Regional Office of Education's investments are fully collateralized.

For an investment, this is the risk that in the event of the failure of the counterparty, the ROE will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year-end, the ROE's investment in the Illinois Fund is not subject to custodial credit risk.

Concentration Risk. This is the risk of loss attributed to the magnitude of the ROE's investment in a single issuer. The ROE shall diversify its investments to the best of its ability based on the type of funds invested and the 'cash flow needs of those funds. Diversification can be by type of investment, number of institutions invested in, and length of maturity. At year-end, the ROE does not have any investments over 5 percent of the total cash and investment portfolio (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Depreciable Capital Assets				
Furniture and Equipment	\$ 183,551	-	-	183,551
Less Accumulated Depreciation				
Furniture and Equipment	137,444	19,118	-	156,562
Total Net Capital Assets	46,107	(19,118)	-	26,989

Depreciation expense of \$19,118, was charged to the education function.

Business-Type Activities

Business-type capital asset activity for the year was as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Depreciable Capital Assets				
Furniture and Equipment	\$ 36,244	-	-	36,244
Less Accumulated Depreciation				
Furniture and Equipment	23,742	2,515	-	26,257
Total Net Capital Assets	12,502	(2,515)	-	9,987

Depreciation expense of \$2,515 was charged to the Fingerprinting Assessment Fund.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Balances

Interfund balances are advances in anticipation of receipts to cover temporary cash shortages. The composition of interfund balances as of the date of this report, is as follows:

Fund	Due From	Due To
General		
General State Aid	\$ 47,191	-
Educational Services Division Local Operations	930,596	-
Institute	145,571	-
Education		
Truants Alternative/Optional Education	-	96,660
Teacher Mentoring Program	-	242
Nonmajor Special Revenue Funds		
Learning Technology Center	-	57,703
Attendance and Truancy Division (ATD)	54,163	4,694
Educational Services Division	-	57,271
Proprietary Funds		
Education Services Division	-	960,951
	<u>1,177,521</u>	<u>1,177,521</u>

Interfund Transfers

Interfund transfers for the year consisted of the following:

Fund	Transfer In	Transfer Out
General Fund		
General State Aid	\$ 66,700	\$ 505,683
Education Fund		
Regional Safe Schools	498,683	66,700
Nonmajor Governmental -		
Attendance and Truancy Division (ATD)	7,000	-
	<u>\$ 572,383</u>	<u>\$ 572,383</u>

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.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DUE FROM/TO OTHER GOVERNMENTS

The ROE has funds due from/to various other governmental units which consist of the following:

Due from Other Governments:		Due to Other Governments:	
Education Fund		Education Fund	
Illinois State Board of Education	\$ 1,123,149	Other Local Governments	<u>\$ 314,071</u>
Other Local Governments	142,000		
Nonmajor Special Revenue Funds			
Other Local Governments	70,111		
Nonmajor Enterprise Funds			
Other Local Governments	<u>367</u>		
Total	<u>1,335,627</u>		

LONG-TERM LIABILITIES

Capital Leases

The ROE has entered into a lease agreement as lessee for financing the acquisition of a copier. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date in the capital assets account. The gross amount of assets recorded under the capital lease is \$78,163 and the accumulated amortization as of June 30, 2017 was \$53,411. The lease includes an end of term purchase option of \$1.

The future minimum lease payments and the net present value of these minimum lease payments are as follows:

Year Ended June 30	Amount
2018	\$ 17,916
2019	<u>10,451</u>
Total Minimum Lease Payments	28,367
Interest Portion	<u>(1,260)</u>
Present Value of Minimum Lease Payments	<u>27,107</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 3 – DETAIL NOTES ON ALL FUNDS

LONG-TERM LIABILITIES – Continued

Long-Term Liability Activity

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017	Amounts Due within One Year
Governmental Activities					
Compensated Absences	\$ 22,232	14,532	7,266	29,498	5,900
Net Pension Liability - IMRF*	179,293	-	24,747	154,546	-
Net Pension Liability - TRS	55,153	214,093	-	269,246	-
Other Post-Employment Benefit Obligation Payable	147,000	19,416	-	166,416	-
Capital Lease Payable	43,053	-	15,946	27,107	16,845
	<u>446,731</u>	<u>248,041</u>	<u>47,959</u>	<u>646,813</u>	<u>22,745</u>

*Restated beginning balance

Payments on the compensated absences, the net pension liabilities, and the capital lease are made by the governmental funds.

OPERATING LEASES

The ROE 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.

For fiscal year 2017, the lease for the Safe Schools program required a monthly lease payment of \$11,779 with an option for annual renewal. Total rental expense for this facility for the year ended June 30, 2017 was \$141,348. During fiscal year 2017 this lease was renewed for fiscal year 2018. The new lease agreement requires monthly lease payments of \$11,225 with an option for annual renewal. Future minimum lease payments under the lease total \$134,700 for fiscal year 2018.

For fiscal year 2017, the lease agreement for the Educational Services Division required quarterly lease payments of \$8,770 with an option for annual renewal. Total rental expense for the year ended June 30, 2017, was \$35,080. During fiscal year 2017 this lease was renewed for fiscal year 2018. The new lease agreement requires quarterly lease payments of \$9,033 with an option for annual renewal. Future minimum lease payments under the lease total \$36,133 for fiscal year 2018.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

ON-BEHALF PAYMENTS

The breakdown of the on-behalf payments by the State of Illinois for the Regional Superintendent and the Assistant Regional Superintendent of the ROE are as follows:

Regional Superintendent - Salary	\$ 112,800
Regional Superintendent - Benefits (includes state paid insurance)	23,620
Assistant Regional Superintendent - Salary	101,520
Assistant Regional Superintendent - Benefits (includes state paid insurance)	35,722
THIS On-Behalf Payments	4,378
Salaries of Office Workers Paid by Lake County	458,615
Lake County's Share of Health Insurance Contributions	109,430
Lake County's Share of Retirement Contributions	41,276
Other Administrative Expenses	<u>95,984</u>
Total On-Behalf Payments	<u><u>983,345</u></u>

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 (ISBE). The ROE recorded the on-behalf payments as both revenues and expenditures in the General Fund.

The ROE also recorded \$323,541 in revenues and expenses as on-behalf payments from ISBE for the ROE's share of the State's Teachers' Retirement System (TRS) pension expense in the Statement of Activities. In addition, the ROE has not included any on-behalf payments related to the State's TRS pension expense for the Regional Superintendent or Assistant Regional Superintendent.

State of Illinois On-Behalf Payments	\$ 983,345
Regional Office of Education No. 34's Share of TRS Pension Expense	<u>323,541</u>
Total	<u><u>1,306,886</u></u>

NET POSITION/FUND BALANCE

Fund Balance Classifications

In the governmental funds financial statements, the ROE considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The ROE first utilizes committed, then assigned and then unassigned fund balance when an expenditure is incurred for purposes for which all three unrestricted fund balances are available.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements June 30, 2017

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

NET POSITION/FUND BALANCE – Continued

Fund Balance Classifications – Continued

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

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

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

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

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

Fund Balance/Net Position Restatements

Net position was restated due to the implementation of GASB Statement No. 68 and GASB Statement No. 71 for the Illinois Municipal Retirement Fund and to correct an error in recognizing the net pension liability for the TRS in the Education Services Division Fund. The following is a summary of the net position as originally reported and as restated:

Net Position	As Reported	As Restated	Increase (Decrease)
Governmental Activities	\$ 3,816,363	3,405,608	(410,755)
Business-Type Activities	(989,718)	(610,643)	379,075
Education Services Division	(1,143,361)	(764,286)	379,075

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

NET POSITION/FUND BALANCE – Continued

Net Position Classifications

Net investment in capital assets was comprised of the following as of June 30, 2017:

Governmental Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 26,989
Less Capital Related Debt:	
Capital Lease Payable	<u>(27,107)</u>
Net Investment in Capital Assets	<u><u>(118)</u></u>
Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	<u><u>9,987</u></u>

NOTE 4 – OTHER INFORMATION

RISK MANAGEMENT

The ROE is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to the ROE's employees. The ROE has purchased insurance from private insurance companies. Risks covered included certain types of liabilities and bonds. Premiums have been displayed as expenditures/expenses in appropriate funds. There were no significant changes in insurance coverages from the prior year and settlements did not exceed insurance coverage in any of the past three fiscal years.

CONTINGENT LIABILITIES

Litigation

The ROE is not involved in any lawsuits at June 30, 2017.

State and Federal Aid Contingencies

The ROE has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. Management believes such disallowance, if any, would be immaterial.

NOTE 4 – OTHER INFORMATION – Continued

SALARIES AND PENSION PLAN CONTRIBUTIONS

The salaries of the Regional Superintendent and the Assistant Regional Superintendent are paid by the State of Illinois. The salaries of Lake County employees that work for the ROE are paid by Lake County. Lake County pays for these employees' salaries as well as the employer contributions made to postretirement medical plans (OPEB) and the Illinois Municipal Retirement Fund (IMRF). Postretirement medical plans (OPEB) obligations for ROE employees are included in Lake County's postretirement medical plans (OPEB) obligation. IMRF pension plan obligations for ROE employees are included in the statistics IMRF provides to Lake County.

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS

The retirement plans of the ROE include the Teachers' Retirement System of the State of Illinois (TRS) and the Illinois Municipal Retirement Fund (IMRF). Most funding for TRS is provided through payroll withholdings of certified employees and contributions made by the State of Illinois on-behalf of the ROE. The ROE is required to contribute at an actuarially determined rate. The ROE reimburses Lake County for the IMRF contributions made for the participating employees. Each retirement system is discussed below.

Illinois Municipal Retirement Fund (IMRF)

Plan Descriptions

Plan Administration. The ROE contributes, through Lake County, to the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system. However, the ROE's participation in IMRF is equivalent to a cost sharing multiple-employer pension plan since only one actuarial valuation is performed for both Lake County and the ROE combined. All disclosures for an agent plan can be found in Lake County's annual financial report.

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable. Investments are reported at fair value. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained online at www.imrf.org. The benefits, benefit levels, employee contributions, and employer contributions are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly.

Benefits Provided. IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements
June 30, 2017

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Descriptions – Continued

Benefits Provided – Continued. IMRF provides two tiers of pension benefits. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Plan Membership. As of December 31, 2016, the measurement date, the following employees were covered by the benefit terms:

Active Plan Members 17

A detailed breakdown of IMRF membership for the County and the ROE combined is available in the Lake County's comprehensive annual financial report.

Contributions. As set by statute, the ROE's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The ROE's contribution rate for the calendar year ended 2016 was 10.77% of covered payroll. For the year ended June 30, 2017, salaries totaling \$323,688 were paid that required employer contributions of \$30,997 and the Regional Office of Education's actual contributions were \$31,617.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Descriptions – Continued

Net Pension Liability. At June 30, 2017, the Regional Office of Education No. 19 reported a liability of \$154,546 for its proportionate share of the net pension liability. The ROE's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The ROE's proportion of the net pension liability was based on the ROE's actual contribution to the plan for the year ended June 30, 2017 relative to the actual contributions of Lake County as a whole. At June 30, 2017, the ROE's proportion was 0.21%, which was no change from its proportion measured as of June 30, 2016.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation performed, as of December 31, 2016, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	7.50%
Salary Increases	3.75% to 14.50%
Cost of Living Adjustments	2.75%
Inflation	2.75%

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality tables was used with fully generational projection scale MP-2014 (base year 2014). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Descriptions – Continued

Actuarial Assumptions – Continued.

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	27%	3.0%
Domestic Equities	38%	6.9%
International Equities	17%	6.8%
Real Estate	8%	5.8%
Alternative Investments	9%	2.65% - 7.35%
Cash and Cash Equivalents	1%	2.3%

Discount Rate

The discount rate used to measure the total pension liability was 7.50% and the prior valuation used a discount rate of 7.48%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Lake County contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the IMRF’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the ROE calculated using the discount rate as well as what the ROE’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability/(Asset)	\$ 366,687	154,546	(17,929)

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$ 1,568,386	1,389,093	179,293
Changes for the year:			
Service Cost	30,816	-	30,816
Interest on the Total Pension Liability	115,842	-	115,842
Difference Between Expected and Actual Experience of the Total Pension Liability	(22,388)	-	(22,388)
Changes of Assumptions	(3,912)	-	(3,912)
Contributions - Employer	-	30,155	(30,155)
Contributions - Employees	-	13,127	(13,127)
Net Investment Income	-	95,358	(95,358)
Benefit Payments, including Refunds of Employee Contributions	(70,209)	(70,209)	-
Other (Net Transfer)	-	6,465	(6,465)
Net Changes	50,149	74,896	(24,747)
Balances at December 31, 2016	1,618,535	1,463,989	154,546

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the ROE recognized pension expense of \$55,605. At June 30, 2017, the ROE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 13,302	(20,604)	(7,302)
Change in Assumptions	18,578	(3,050)	15,528
Net Difference Between Projected and Actual			
Earnings on Pension Plan Investments	72,652	-	72,652
Total Pension Expense to be Recognized in Future Periods	104,532	(23,654)	80,878
Pension Contributions Made Subsequent to the Measurement Date	16,539	-	16,539
Total Deferred Amounts Related to IMRF	<u>121,071</u>	<u>(23,654)</u>	<u>97,417</u>

\$16,539 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2018.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Period Ended June 30,	Net Deferred Outflows/ (Inflows) of Resources
2018	\$ 33,417
2019	30,147
2020	18,814
2021	(1,500)
2022	-
Thereafter	-
Total	<u>80,878</u>

Notes to the Financial Statements
June 30, 2017

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Teachers' Retirement System

Plan Descriptions

Plan Administration. The ROE 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. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can only be made by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for TRS's administration. TRS issues a publicly available financial report that can be obtained at <https://www.trsil.org/financial/cafrs/2016>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling 888-678-3675, option 2.

Benefits Provided. TRS provides retirement, disability, and death benefits. Tier 1 members have TRS or reciprocal system service prior to January 1, 2011. Tier 1 members qualify for retirement benefits at age 62 with five years of service, at age 60 with 10 years, or age 55 with 20 years. The benefit is determined by the average of the four highest years of creditable earnings within the last 10 years of creditable service and at the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service. Disability and death benefits are also provided.

Tier 2 members qualify for retirement benefits at age 67 with 10 years of service, or a discounted annuity can be paid at age 62 with 10 years of service. Creditable earnings for retirement purposes are capped and the final average salary is based on the highest consecutive eight years of creditable service rather than the last four. Disability provisions for Tier 2 are identical to those of Tier 1. Death benefits are payable under a formula that is different from Tier 1.

Essentially all Tier 1 retirees receive an annual 3 percent increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later. Tier 2 annual increases will be the lesser of 3 percent of the original benefit or one-half percent of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements June 30, 2017

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Teachers' Retirement System – Continued

Contributions

The State of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90 percent of the total actuarial liabilities of the System by the end of fiscal year 2045.

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified by the pension code. The active member contribution rate for the year ended June 30, 2016, was 9.4 percent of creditable earnings. On July 1, 2016, the rate dropped to 9.0 percent of pay due to the expiration of the Early Retirement Option (ERO). The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

On Behalf Contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the employer. For the year ended June 30, 2017, State of Illinois contributions recognized by the employer were based on the State's proportionate share of the collective net pension liability associated with the employer, and the employer recognized revenue and expenditures of \$323,541 in pension contributions from the State of Illinois.

2.2 Formula Contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2017 were \$2,268 and are deferred because they were paid after the June 30, 2016 measurement date.

Federal and Special Trust Fund Contributions. When TRS members are paid from federal and special trust funds administered by the employer, there is a statutory requirement for the employer to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS. Public Act 98-0674 now requires the two rates be the same.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Teachers' Retirement System – Continued

Contributions – Continued

Federal and Special Trust Fund Contributions – Continued. For the year ended June 30, 2017, the employer pension contribution was 38.54 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2017, salaries totaling \$23,174 were paid from federal and special trust funds that required employer contributions of \$8,931. These contributions are deferred because they were paid after the June 30, 2016 measurement date.

Employer Retirement Cost Contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The employer is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contributions under the program that ended on June 30, 2016 is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2017, the employer did not make any payments to TRS for employer ERO contributions for retirements that occurred before July 1, 2016.

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2017, the employer paid \$0 to TRS for employer contributions due on salary increases in excess of 6 percent and \$0 in for sick leave days granted in excess of the normal annual allotment.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the employer reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for state pension support provided to the employer. The state's support and total are for disclosures purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employer's Proportionate Share of the Net Pension Liability	\$ 269,246
State's Proportionate Share of the Net Pension Liability Associated with the Employer	<u>3,294,512</u>
Total	<u><u>3,563,758</u></u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Teachers’ Retirement System – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, and rolled forward to June 30, 2016. The employer’s proportion of the net pension liability was based on the employer’s share of contributions to TRS for the measurement year ended June 30, 2016, relative to the contributions of all participating TRS employers and the state during that period. At June 30, 2016, the employer’s proportion was 0.0003 percent, which was an increase of 0.0002 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the employer recognized pension expense of \$323,541 and revenue of \$323,541 for support provided by the state. For the year ended June 30, 2017, the ROE recognized a pension income of \$222,341. At June 30, 2017, the employer reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Differences Between Expected and Actual Experience	\$ 1,991	(183)	1,808
Net Difference Between Projected and Actual			
Earnings on Pension Plan Investments	7,607	-	7,607
Changes of Assumptions	23,124	-	23,124
Changes in Proportion and Differences Between Employer			
Contributions and Proportionate Share of Contributions	150,693	(605,524)	(454,831)
Total Pension Expense to be Recognized in Future Periods	183,415	(605,707)	(422,292)
Employer Contributions Subsequent to the Measurement Date	11,199	-	11,199
Totals	194,614	(605,707)	(411,093)

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Teachers’ Retirement System – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

\$11,199 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows in these report years:

Year Ended June 30,	Net Deferred Outflows/ (Inflows) of Resources
2018	\$ (241,306)
2019	(241,306)
2020	12,234
2021	40,152
2022	7,934
Thereafter	<u>-</u>
	<u><u>(422,292)</u></u>

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.50 Percent

Salary Increases: Varies by Amount of Service Credit

Investment Rate of Return: 7.00 Percent, Net of Pension Plan Investment Expense, Including Inflation

Mortality rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Teachers’ Retirement System – Continued

Actuarial Assumptions – Continued

For the June 30, 2016 valuation, the investment return assumption was lowered from 7.50 percent to 7.0 percent. Salary increase assumptions were lowered from their 2015 levels. Other assumptions were based on the 2015 experience analysis which increased retirement rates, improved mortality assumptions and made other changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class that were used by the actuary are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equities Large Cap	14.4%	6.94%
U.S. Equities Small/Mid Cap	3.6%	8.09%
International Equities Developed	14.4%	7.46%
Emerging Market Equities	3.6%	10.15%
U.S. Bonds Core	10.7%	2.44%
International Debt Developed	5.3%	1.70%
Real Estate	15.0%	5.44%
Commodities (Real Return)	11.0%	4.28%
Hedge Funds (Absolute Return)	8.0%	4.16%
Private Equity	14.0%	10.63%
Total	<u>100%</u>	

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Teachers' Retirement System – Continued

Discount Rate

At June 30, 2016, the discount rate used to measure the total pension liability was a blended rate of 6.83 percent, which was a change from the June 30, 2015 rate of 7.47 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position at June 30, 2016 was not projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier 1's liability is partially-funded by Tier 2 members, as the Tier 2 member contribution is higher than the cost of Tier 2 benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Despite the subsidy, all projected future payments were not covered, so a slightly lower long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2015, the discount rate used to measure the total pension liability was 7.47 percent. The discount rate was lower than the actuarially-assumed rate of return on investments that year as well because TRS's fiduciary net position and the subsidy provided by Tier 2 were not sufficient to cover all projected benefit payments.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following is a sensitivity analysis of the employer's proportionate share of the net pension liability to changes in the discount rate. The table below presents the pension liability of the ROE calculated using the discount rate as well as what the ROE's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.83%)	Current Discount Rate (6.83%)	1% Increase (7.83%)
Employer's Proportionate Share of the Net Pension Liability	\$ 326,299	269,246	220,199

TRS Fiduciary Net Position

Detailed information about the TRS's fiduciary net position as of June 30, 2016 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements

June 30, 2017

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS

Teachers' Health Insurance Security

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

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

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

On Behalf Contributions to THIS Fund. The State of Illinois makes employer retiree health insurance contributions on behalf of the ROE. State contributions are intended to match contributions to THIS Fund from active members which were 1.12 percent of pay during the year ended June 30, 2017. State of Illinois contributions were \$4,378, and the ROE recognized revenues and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2016 and June 30, 2015, were 1.07 and 1.02 percent of pay, respectively. State contributions on behalf of the ROE employees were \$4,553 and \$5,067, respectively.

Employer Contributions to THIS Fund. The ROE also makes contributions to the THIS Fund. The employer THIS fund contribution was 0.84 percent during the year ended June 30, 2017. For the year ended June 30, 2017, the ROE paid \$3,284 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2016 and June 30, 2015, the ROE paid \$3,404 and \$3,775, respectively, which was 100 percent of the required contribution.

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 2017 and 2016 reports are listed under "Central Management Services." Prior reports are available under "Healthcare and Family Services.": (<http://www.auditor.illinois.gov/Audit-Reports/HEALTHCARE-FAMILY-SERVICES-Teacher-Health-Ins-Sec-Fund.asp>).

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Plan Descriptions, Provisions, and Funding Policies

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.

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, 2017, membership consisted of the following:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	1
Active Employees	<u>19</u>
Total	<u>20</u>
Participating Employers	1

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, 2017, the ROE has chosen not to fund the liability.

Annual OPEB Cost and Net OPEB Obligation. ROE'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.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Notes to the Financial Statements
June 30, 2017**

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Annual OPEB Costs and Net OPEB Obligation

The net OPEB obligation (NOPEBO) as of June 30, 2017, was calculated as follows:

Annual Required Contribution (ARC)	\$ 11,440
Interest on the NOPEBO	5,880
Adjustment to the ARC	<u>5,096</u>
Annual OPEB Cost	22,416
Actual Contribution	<u>(3,000)</u>
Change in the NOPEBO	19,416
NOPEBO - Beginning of Year	<u>147,000</u>
NOPEBO - End of Year	<u><u>166,416</u></u>

Trend Information

The ROE’s annual OPEB cost, actual contributions, the percentage of annual OPEB cost contributed and the net OPEB obligation are as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 20,000	\$ 6,000	30.00%	\$ 138,000
2016	12,000	3,000	25.00%	147,000
2017	22,416	3,000	13.38%	166,416

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements June 30, 2017

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016, the date of the latest actuarial valuation, was as follows:

Actuarial Accrued Liability (AAL)	\$	117,000
Actuarial Value of Plan Assets	\$	-
Unfunded Actuarial Accrued Liability (UAAL)	\$	117,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)		0.00%
Covered Payroll (Active Plan Members)	\$	972,769
UAAL as a Percentage of Covered Payroll		12.03%

Actuarial Methods and Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of 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 that are designed to reduce 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, 2016, 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 ranges from 4.5% to 7.5%. The ultimate healthcare trend rate is 4.5%. The healthcare trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate. Both rates include a 3.0% inflation assumption. The actuarial value of assets as not determined as the ROE has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017 was 30 years.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Notes to the Financial Statements

June 30, 2017

NOTE 4 – OTHER INFORMATION – Continued

NEW PRONOUNCEMENTS

In 2017, the Regional Office of Education No. 34 implemented *GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Pension Plans*, and *GASB Statement No. 82, Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The Regional Office of Education No. 34 implemented these standards during the current year. *GASB Statement No. 78's* implementation amends the scope and applicability of *GASB Statement No. 68* to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined pension plan and establishes requirements for recognition and measurement of pension expense, expenditures, liabilities, note disclosures, and required supplementary information for pensions. *GASB Statement No. 82's* implementation clarifies the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in the Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee or plan member contribution requirements. *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, *GASB Statement No. 77, Tax Abatements*, and *GASB Statement No. 80, Blending Requirements for Certain Component Units - An amendment of GASB Statement No. 14*, also became effective for the current year, but these statements had no impact on the Regional Office of Education No. 34's financial statements.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 26, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Schedule of the Employer's Proportionate Share of the Net Pension Liability and Employer Contributions
Teachers' Retirement System
- Schedule of Employer Contributions
Illinois Municipal Retirement Fund
- Schedule of Changes in the Employer's Net Pension Liability
Illinois Municipal Retirement Fund
- Schedule of Funding Progress and Employer Contributions
Other Post-Employment Benefit Plan

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Teachers' Retirement System of the State of Illinois

**Required Supplementary Information
Schedule of the Employer's Proportionate Share of the Net Pension Liability
June 30, 2017**

	6/30/14*	6/30/15*	6/30/16*
Employer's Proportion of the Net Pension Liability	0.0000462350%	0.0000841894%	0.0003410940%
Employer's Proportionate Share of the Net Pension Liability	\$ 28,138	\$ 55,153	\$ 269,246
State's Proportionate Share of the Net Pension Liability Associated with the Employer	2,750,897	3,293,339	3,294,512
Total	2,779,035	3,348,492	3,563,758
Covered Payroll	\$ 481,505	\$ 496,744	\$ 425,523
Employer's Proportionate Share of the Net Pension Liability as a % of its Covered Payroll	5.84%	11.10%	63.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43.00%	41.50%	36.40%

* The amounts presented were determined as of the prior fiscal year end.

**Schedule of Employer Contributions
For the Year Ended June 30, 2017**

	2014	2015	2016	2017
Contractually-Required Contribution	\$ 1,650	\$ 2,881	\$ 13,295	\$ 35,184
Contributions in Relation to the Contractually-Required Contribution	\$ 1,650	\$ 2,881	\$ 13,400	\$ 35,184
Contribution Deficiency (Excess)	\$ -	\$ -	\$ (105)	\$ -
Covered Payroll	\$ 481,505	\$ 496,744	\$ 425,523	\$ 390,931
Contributions as a % of Covered Payroll	0.34%	0.58%	3.12%	9.00%

Notes:

Amounts reported in 2016 reflect an investment rate of return of 7.00%, an inflation rate of 2.50% and real return of 4.50%, and salary increases were assumed to vary by service credit. In 2015, assumptions used were an investment rate of return of 7.50%, an inflation rate of 3.00% and a real return of 4.50%, and salary increases of 5.75%. However, the total pension liability at the beginning and end of the year was calculated using the same assumptions, so the difference due to actuarial assumptions was not calculated or allocated. In 2014, assumptions used were an investment rate of return of 7.5 percent, an inflation rate of 3.0 percent and real return of 4.5 percent, and salary increases of 5.75 percent.

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Illinois Municipal Retirement Fund - Lake County

**Required Supplementary Information
Schedule of Employer Contributions
June 30, 2017**

Calendar Year Ended December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 32,532	\$ 33,010	\$ 478	\$ 302,345	10.92%
2016	29,461	30,155	694	280,047	10.77%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	27 Years
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.75%
Salary Increases	3.75% - 14.50%
Investment Rate of Return	7.50%
Retirement Age	See the Notes to the Financial Statements
Mortality	IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012).

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Illinois Municipal Retirement Fund - Lake County

Required Supplementary Information

Schedule of Employer's Proportionate Share of the Net Pension Liability

June 30, 2017

	<u>12/31/2015</u>	<u>12/31/2016</u>
Employer's Proportion of the Net Pension Liability	0.20765%	0.20765%
Employer's Proportionate Share of the Net Pension Liability	\$ 179,293	154,546
Covered Payroll	\$ 302,345	280,047
Employer's Proportionate Share of the Net Pension Liability as a % of its Covered Payroll	59.30%	55.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.57%	90.45%

* The amounts presented were determined as of the prior fiscal year end.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Other Post-Employment Benefit Plan

**Required Supplementary Information
Schedule of Funding Progress and Employer Contributions
June 30, 2017**

Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Liability as a Percentage of Covered Payroll (4) ÷ (5)
June 30						
2015	\$ N/A	\$ N/A	N/A	\$ N/A	\$ N/A	N/A
2016	-	117,000	0.00%	117,000	972,769	12.03%
2017	N/A	N/A	N/A	N/A	N/A	N/A

Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2015	\$ N/A	\$ N/A	N/A
2016	3,000	11,000	27.27%
2017	3,000	11,440	26.22%

The ROE is required to have an actuarial valuation performed triennially.

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Statements – Major Governmental Funds
- Budgetary Comparison Schedules – Education Fund Accounts
- Combining Statements – Nonmajor Governmental Funds
- Budgetary Comparison Schedule – Nonmajor Governmental Fund
- Combining Statements – Nonmajor Enterprise Funds

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

General Fund Accounts

Combining Schedule of Accounts

June 30, 2017

	General State Aid	Educational Services Division Local Operations	Attendance and Truancy Division (ATD)	Total General Fund
ASSETS				
Cash and Cash Equivalents	\$ 67,171	115,854	5,940	188,965
Due from Other Funds	47,191	930,596	-	977,787
Total Assets	<u>114,362</u>	<u>1,046,450</u>	<u>5,940</u>	<u>1,166,752</u>
LIABILITIES				
Accounts Payable	27,533	1,484	-	29,017
Accrued Payroll	17,734	1,090	-	18,824
Unearned Revenue	-	27,415	-	27,415
Total Liabilities	<u>45,267</u>	<u>29,989</u>	<u>-</u>	<u>75,256</u>
FUND BALANCES				
Assigned	60,305	-	5,940	66,245
Unassigned	8,790	1,016,461	-	1,025,251
Total Fund Balances	<u>69,095</u>	<u>1,016,461</u>	<u>5,940</u>	<u>1,091,496</u>
Total Liabilities and Fund Balances	<u><u>114,362</u></u>	<u><u>1,046,450</u></u>	<u><u>5,940</u></u>	<u><u>1,166,752</u></u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

General Fund Accounts

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2017**

	General State Aid	Educational Services Division Local Operations	Attendance and Truancy Division (ATD)	Total General Fund
Revenues				
State Sources	\$ 3,341,040	-	-	3,341,040
Local Sources				
Intergovernmental	60,000	119,987	2,972	182,959
On-Behalf Payments	983,345	-	-	983,345
Total Revenues	4,384,385	119,987	2,972	4,507,344
Expenditures				
Instructional Services				
Salaries	189,590	1,505	-	191,095
Employee Benefits	39,898	2,448	-	42,346
Pension Expense	15,456	563	-	16,019
Purchased Services	64,847	44,461	50	109,358
Supplies and Materials	4,498	181	502	5,181
Payments to Other Governments	2,711,032	-	-	2,711,032
Other Objects	2,310	123	-	2,433
On-Behalf Payments	983,345	-	-	983,345
Debt Service				
Repayment of Long Term Lease	-	15,946	-	15,946
Interest	-	1,970	-	1,970
Total Expenditures	4,010,976	67,197	552	4,078,725
Excess (Deficiency) of Revenues Over (Under) Expenditures	373,409	52,790	2,420	428,619
Other Financing Sources (Uses)				
Transfers In	66,700	-	-	66,700
Transfers Out	(505,683)	-	-	(505,683)
Total Other Financing Sources (Uses)	(438,983)	-	-	(438,983)
Change in Fund Balances	(65,574)	52,790	2,420	(10,364)
Fund Balances - Beginning	134,669	963,671	3,520	1,101,860
Fund Balances - Ending	69,095	1,016,461	5,940	1,091,496

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Education Fund Accounts

Combining Schedule of Accounts

June 30, 2017

See Following Page

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Education Fund Accounts

**Combining Schedule of Accounts
June 30, 2017**

	Title 1 - Reading First Part B SEA Funds	Regional Safe Schools	Truants Alternative/ Optional Education	McKinney Education for Homeless Children	Juvenile Detention
ASSETS					
Cash and Cash Equivalents	\$ 663	-	-	15,245	1,730,197
Accounts Receivable	-	-	-	-	-
Due from Other Governments	-	419,021	97,155	-	748,973
Prepays	-	11,225	-	-	-
Total Assets	663	430,246	97,155	15,245	2,479,170
DEFERRED OUTFLOWS OF RESOURCES					
None	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	663	430,246	97,155	15,245	2,479,170
LIABILITIES					
Accounts Payable	-	-	10,727	-	-
Accrued Payroll	-	-	8,515	-	-
Due to Other Funds	-	-	96,660	-	-
Due to Other Governments	-	235,873	-	-	78,198
Total Liabilities	-	235,873	115,902	-	78,198
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	184,680	64,770	-	644,339
FUND BALANCES					
Nonspendable	-	11,225	-	-	-
Restricted	663	-	-	15,245	1,756,633
Unassigned	-	(1,532)	(83,517)	-	-
Total Fund Balances	663	9,693	(83,517)	15,245	1,756,633
Total Liabilities Deferred Inflows of Resources and Fund Balances	663	430,246	97,155	15,245	2,479,170

Teacher Mentoring Program	Principal Mentoring Program	ROE/ISC Operations	EFAST Pilot Program	Title II - Teacher Quality Leadership	Soaring with SAVE	Total Education Fund
-	22,290	31,864	1,716	-	605	1,802,580
-	-	1,514	-	-	-	1,514
-	-	-	-	-	-	1,265,149
-	-	-	-	-	-	11,225
-	22,290	33,378	1,716	-	605	3,080,468
-	-	-	-	-	-	-
-	22,290	33,378	1,716	-	605	3,080,468
-	-	35,084	-	-	-	45,811
-	-	174	-	-	-	8,689
242	-	-	-	-	-	96,902
-	-	-	-	-	-	314,071
242	-	35,258	-	-	-	465,473
-	-	-	-	-	-	893,789
-	-	-	-	-	-	11,225
-	22,290	-	1,716	-	605	1,797,152
(242)	-	(1,880)	-	-	-	(87,171)
(242)	22,290	(1,880)	1,716	-	605	1,721,206
-	22,290	33,378	1,716	-	605	3,080,468

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Education Fund Accounts

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2017**

	Title 1 - Reading First Part B SEA Funds	Regional Safe Schools	Truants Alternative/ Optional Education	McKinney Education for Homeless Children
Revenues				
Federal Sources	\$ -	-	-	52,900
State Sources	-	184,681	43,188	-
Local Sources				
Intergovernmental	-	669,700	-	-
Miscellaneous	-	-	-	-
Total Revenues	-	854,381	43,188	52,900
Expenditures				
Instructional Services				
Salaries	-	-	76,737	-
Employee Benefits	-	-	13,487	-
Pension Expense	-	-	4,856	-
Purchased Services	-	141,349	11,449	46,472
Supplies and Materials	-	-	1,429	2,806
Payments to Other Governments	-	1,137,649	-	-
Other Objects	-	-	-	-
Total Expenditures	-	1,278,998	107,958	49,278
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(424,617)	(64,770)	3,622
Other Financing Sources (Uses)				
Transfers In	-	498,683	-	-
Transfers Out	-	(66,700)	-	-
Total Other Financing Sources (Uses)	-	431,983	-	-
Change in Fund Balances	-	7,366	(64,770)	3,622
Fund Balances - Beginning	663	2,327	(18,747)	11,623
Fund Balances - Ending	663	9,693	(83,517)	15,245

Juvenile Detention	Teacher Mentoring Program	Principal Mentoring Program	ROE/ISC Operations	EFAST Pilot Program	Title II - Teacher Quality Leadership	Soaring with SAVE	Total Education Fund
-	-	-	-	-	24,346	-	77,246
568,611	-	-	322,484	-	-	-	1,118,964
-	-	-	-	-	-	-	669,700
-	-	-	41,906	-	-	-	41,906
568,611	-	-	364,390	-	24,346	-	1,907,816
457,566	-	-	245,026	-	-	-	779,329
152,686	-	-	81,717	-	-	-	247,890
45,513	-	-	12,417	-	-	-	62,786
-	-	-	22,045	-	24,346	-	245,661
-	-	-	1,633	-	-	-	5,868
-	-	-	-	-	-	-	1,137,649
61,755	-	-	-	-	-	-	61,755
717,520	-	-	362,838	-	24,346	-	2,540,938
(148,909)	-	-	1,552	-	-	-	(633,122)
-	-	-	-	-	-	-	498,683
-	-	-	-	-	-	-	(66,700)
-	-	-	-	-	-	-	431,983
(148,909)	-	-	1,552	-	-	-	(201,139)
1,905,542	(242)	22,290	(3,432)	1,716	-	605	1,922,345
1,756,633	(242)	22,290	(1,880)	1,716	-	605	1,721,206

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Education Fund Account – Regional Safe Schools - Budgetary Comparison Schedule
For the Year Ended June 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
State Sources	\$ 369,361	369,361	184,681	(184,680)
Local Sources				
Intergovernmental	-	-	669,700	669,700
Total Revenues	<u>369,361</u>	<u>369,361</u>	<u>854,381</u>	<u>485,020</u>
Expenditures				
Instructional Services				
Purchased Services	141,349	141,349	141,349	-
Payments to Other Governments	228,012	228,012	1,137,649	(909,637)
Total Expenditures	<u>369,361</u>	<u>369,361</u>	<u>1,278,998</u>	<u>(909,637)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(424,617)</u>	<u>(424,617)</u>
Other Financing Sources (Uses)				
Transfers In	-	-	498,683	498,683
Transfers Out	-	-	(66,700)	(66,700)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>431,983</u>	<u>431,983</u>
Change in Fund Balance	<u>-</u>	<u>-</u>	<u>7,366</u>	<u>7,366</u>
Fund Balance - Beginning			<u>2,327</u>	
Fund Balance - Ending			<u>9,693</u>	

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Education Fund Account – Truants Alternative/Optional Education - Budgetary Comparison Schedule
For the Year Ended June 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
State Sources	\$ 107,958	107,958	43,188	(64,770)
Expenditures				
Instructional Services				
Salaries	76,069	76,069	76,737	(668)
Employee Benefits	20,345	20,345	13,487	6,858
Pension Expense	-	-	4,856	(4,856)
Purchased Services	10,722	10,722	11,449	(727)
Supplies and Materials	822	822	1,429	(607)
Total Expenditures	107,958	107,958	107,958	-
Change in Fund Balance	-	-	(64,770)	(64,770)
Fund Balance - Beginning			(18,747)	
Fund Balance - Ending			(83,517)	

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Education Fund Account - McKinney Education for Homeless Children -
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Federal Sources	\$ 51,425	52,900	52,900	-
Expenditures				
Instructional Services				
Purchased Services	46,725	46,725	46,472	253
Supplies and Materials	4,700	6,175	2,806	3,369
Total Expenditures	51,425	52,900	49,278	3,622
Change in Fund Balance	<u>-</u>	<u>-</u>	3,622	<u>3,622</u>
Fund Balance - Beginning			<u>11,623</u>	
Fund Balance - Ending			<u>15,245</u>	

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Education Fund Account - ROE/ISC Operations - Budgetary Comparison Schedule
For the Year Ended June 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
State Sources	\$ 322,484	322,484	322,484	-
Local Sources				
Miscellaneous	-	-	41,906	41,906
Total Revenues	<u>322,484</u>	<u>322,484</u>	<u>364,390</u>	<u>41,906</u>
Expenditures				
Instructional Services				
Salaries	228,141	245,034	245,026	8
Employee Benefits	63,025	53,770	81,717	(27,947)
Pension Expense	-	-	12,417	(12,417)
Purchased Services	27,245	22,047	22,045	2
Supplies and Materials	4,073	1,633	1,633	-
Total Expenditures	<u>322,484</u>	<u>322,484</u>	<u>362,838</u>	<u>(40,354)</u>
Change in Fund Balance	<u>-</u>	<u>-</u>	1,552	<u>1,552</u>
Fund Balance - Beginning			<u>(3,432)</u>	
Fund Balance - Ending			<u>(1,880)</u>	

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Education Fund Account - Title II - Teacher Quality Leadership - Budgetary Comparison Schedule
For the Year Ended June 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Federal Sources	\$ 24,346	24,346	24,346	-
Expenditures				
Instructional Services				
Purchased Services	24,346	24,346	24,346	-
Change in Fund Balance	<u>-</u>	<u>-</u>	-	<u>-</u>
Fund Balance - Beginning			<u>-</u>	
Fund Balance - Ending			<u>-</u>	

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2017

See Following Page

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2017

	General Education Development	Bus Driver Training	Regional Board of School Trustees
ASSETS			
Cash and Cash Equivalents	\$ 52,356	118,679	1,181
Due from Other Funds	-	-	-
Due from Other Governments	-	-	-
Total Assets	<u>52,356</u>	<u>118,679</u>	<u>1,181</u>
LIABILITIES			
Accounts Payable	-	-	-
Accrued Payroll	-	-	-
Due to Other Funds	-	-	-
Unearned Revenue	-	1,240	-
Total Liabilities	<u>-</u>	<u>1,240</u>	<u>-</u>
FUND BALANCES			
Restricted	52,356	117,439	1,181
Unassigned	-	-	-
Total Fund Balances	<u>52,356</u>	<u>117,439</u>	<u>1,181</u>
 Total Liabilities and Fund Balances	 <u>52,356</u>	 <u>118,679</u>	 <u>1,181</u>

Reading Recovery Installation Fees	Reading Recovery Operations	Distributive Interest	Learning Technology Center	Attendance and Truancy Division (ATD)	Educational Services Division	Totals
56,249	39,463	3,351	-	-	11,965	283,244
-	-	-	-	54,163	-	54,163
-	-	-	59,285	-	10,826	70,111
56,249	39,463	3,351	59,285	54,163	22,791	407,518
-	-	-	5,692	-	4,634	10,326
-	-	-	331	-	59	390
-	-	-	57,703	4,694	57,271	119,668
-	-	-	-	-	-	1,240
-	-	-	63,726	4,694	61,964	131,624
56,249	39,463	3,351	-	49,469	-	319,508
-	-	-	(4,441)	-	(39,173)	(43,614)
56,249	39,463	3,351	(4,441)	49,469	(39,173)	275,894
56,249	39,463	3,351	59,285	54,163	22,791	407,518

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Nonmajor Special Revenue Funds

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2017**

	General Education Development	Bus Driver Training	Regional Board of School Trustees
Revenues			
Federal Sources	\$ -	-	-
State Sources	-	4,019	-
Local Sources			
Intergovernmental	-	-	8,096
Fees and Services	7,029	32,250	-
Interest Income	-	-	-
Total Revenues	<u>7,029</u>	<u>36,269</u>	<u>8,096</u>
Expenditures			
Instructional Services			
Salaries	-	-	-
Employee Benefits	-	-	-
Pension Expense	-	-	-
Purchased Services	7,600	11,931	5,176
Supplies and Materials	3,835	2,668	-
Other Objects	64	2,360	-
Total Expenditures	<u>11,499</u>	<u>16,959</u>	<u>5,176</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,470)	19,310	2,920
Other Financing Sources			
Transfers In	-	-	-
Change in Fund Balances	(4,470)	19,310	2,920
Fund Balances - Beginning	<u>56,826</u>	<u>98,129</u>	<u>(1,739)</u>
Fund Balances - Ending	<u><u>52,356</u></u>	<u><u>117,439</u></u>	<u><u>1,181</u></u>

Reading Recovery Installation Fees	Reading Recovery Operations	Distributive Interest	Learning Technology Center	Attendance and Truancy Division (ATD)	Educational Services Division	Totals
-	-	-	-	-	58,868	58,868
-	-	-	98,733	-	-	102,752
-	-	-	-	-	19,863	27,959
-	95,118	7,272	-	-	-	141,669
-	-	1,630	-	-	-	1,630
-	95,118	8,902	98,733	-	78,731	332,878
-	10,000	-	37,796	-	38,370	86,166
-	174	100	18,090	-	100	18,464
-	851	69	3,398	-	9,116	13,434
-	33,724	3,796	-	6,116	31,192	99,535
-	10,922	5,839	-	279	1,910	25,453
-	43,209	1,938	-	-	1,354	48,925
-	98,880	11,742	59,284	6,395	82,042	291,977
-	(3,762)	(2,840)	39,449	(6,395)	(3,311)	40,901
-	-	-	-	7,000	-	7,000
-	(3,762)	(2,840)	39,449	605	(3,311)	47,901
56,249	43,225	6,191	(43,890)	48,864	(35,862)	227,993
56,249	39,463	3,351	(4,441)	49,469	(39,173)	275,894

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

**Nonmajor Special Revenue Fund - Learning Technology Center - Budgetary Comparison Schedule
For the Year Ended June 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
State Sources	\$ 52,594	52,594	98,733	46,139
Expenditures				
Instructional Services				
Salaries	35,896	35,896	37,796	(1,900)
Employee Benefits	16,660	16,660	18,090	(1,430)
Pension Expense	-	-	3,398	(3,398)
Total Expenditures	52,556	52,556	59,284	(6,728)
Change in Fund Balance	38	38	39,449	39,411
Fund Balance - Beginning			(43,890)	
Fund Balance - Ending			(4,441)	

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Nonmajor Proprietary Funds

**Combining Statement of Net Position
June 30, 2017**

	Business-Type Activities Enterprise Funds		Totals
	Attendance and Truancy Division (ATD)	Fingerprinting Assessment	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 3,308	112,588	115,896
Due from Other Governments	-	367	367
Total Current Assets	3,308	112,955	116,263
Noncurrent Assets			
Capital Assets - Net of Depreciation	-	9,987	9,987
Total Assets	3,308	122,942	126,250
LIABILITIES			
Current Liabilities			
Accounts Payable	-	-	-
NET POSITION			
Net Investment in Capital Assets	-	9,987	9,987
Unrestricted	3,308	112,955	116,263
Total Net Position	3,308	122,942	126,250

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Nonmajor Proprietary Funds

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2017**

	Business-Type Activities Enterprise Funds		Totals
	Attendance and Truancy Division (ATD)	Fingerprinting Assessment	
Operating Revenues			
Fees for Services	\$ -	27,513	27,513
Operating Expenses			
Purchased Services	-	35,795	35,795
Supplies and Materials	-	2,164	2,164
Other Objects	-	7,916	7,916
Capital Outlay	-	6,516	6,516
Depreciation	-	2,515	2,515
Total Operating Expenses	-	54,906	54,906
Change in Net Position	-	(27,393)	(27,393)
Net Position - Beginning	3,308	150,335	153,643
Net Position - Ending	3,308	122,942	126,250

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

Nonmajor Proprietary Funds

**Combining Statement of Cash Flows
For the Year Ended June 30, 2017**

	Business-Type Activities		Totals
	Enterprise Funds		
	Attendance and Truancy Division (ATD)	Fingerprinting Assessment	
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ -	27,545	27,545
Payments to Suppliers	-	(50,662)	(50,662)
Net Cash Provided from Operating Activities	-	(23,117)	(23,117)
Net Change in Cash and Cash Equivalents	-	(23,117)	(23,117)
Cash and Cash Equivalents - Beginning	3,308	135,705	139,013
Cash and Cash Equivalents - Ending	3,308	112,588	115,896
Reconciliation of Operating Income to Net Cash Provided (Used)			
by Operating Activities			
Operating Income (Loss)	-	(27,393)	(27,393)
Adjustments to Reconcile Operating Income to Net Income to Net Cash Provided by (Used in) Operating Activities:			
Depreciation Expense	-	2,515	2,515
(Increase) Decrease in Current Assets			
Prepays	-	3,585	3,585
Due from Other Governments	-	32	32
Increase (Decrease) in Accrued Expenses	-	(1,856)	(1,856)
Net Cash Provided by Operating Activities	-	(23,117)	(23,117)