

State of Illinois
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
For the Year Ended June 30, 2007

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

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
For the Year Ended June 30, 2007**

TABLE OF CONTENTS

Officials.....	1
Compliance Report Summary.....	2-3
Financial Statement Report Summary	4

AUDITORS' REPORTS

Independent Auditors' Report	5-6
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	7-8
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	9-10

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	11
Financial Statement and Federal Award Findings	12-16
Corrective Action Plan for Current Year Audit Findings	17-18
Summary Schedule of Prior Audit Findings.....	19

MANAGEMENT'S DISCUSSION AND ANALYSIS	20-26
--	-------

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements	
Statement of Net Assets.....	27
Statement of Activities.....	28
Fund Financial Statements	
Balance Sheet – Governmental Funds	29
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	30
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	31
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds	32
Statement of Net Assets - Proprietary Funds	33
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds.....	34
Statement of Cash Flows – Proprietary Fund Types	35
Statement of Fiduciary Net Assets – Fiduciary Fund	36
Notes to Financial Statements.....	37-54

SUPPLEMENTARY INFORMATION

Combining and Individual Fund Statements and Schedules

Governmental Funds	55
General Fund	
Combining Schedule of Accounts - General Fund	56
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance	57
Budgetary Comparison Schedule.....	58
Education Fund	
Combining Schedule of Accounts	59-60
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Education Fund Accounts	61-62
Budgetary Comparison Schedule - Education Fund Accounts	63-68
Combining Schedule of Accounts - Educational Therapy Center Fund	69
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances- Educational Therapy Center Fund	70
Combining Balance Sheet - Nonmajor Special Revenue Funds	71-72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Special Revenue Funds	73-74
<u>Agency Funds</u>	
Statement of Changes in Assets and Liabilities	75
<u>Single Audit Section</u>	
Schedule of Expenditures of Federal Awards.....	76
Notes to the Schedule of Expenditures of Federal Awards.....	77

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
For the Year Ended June 30, 2007**

OFFICIALS

Regional Superintendent (5/30/07 – Current)	Mr. Robert A. Daiber
Regional Superintendent (4/26/07 – 5/30/07)	Mr. Cullen L. Cullen
Regional Superintendent (7/1/06 – 3/30/07)	Mr. Harry A. Briggs
Assistant Regional Superintendent (Current and during audit period)	Mr. Cullen L. Cullen

Office is located at:

157 N. Main Street Ste 438
Edwardsville, Illinois 62025

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
For the Year Ended June 30, 2007**

COMPLIANCE REPORT SUMMARY

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	2	4
Repeated audit findings	1	3
Prior recommendations implemented or not repeated	3	3

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)		
07-1	12-13	Controls over financial statement preparation
07-2	14-15	Inactive accounts with excess cash balances
FINDINGS AND QUESTIONED COST (FEDERAL COMPLIANCE)		
07-2	16	Inactive accounts with excess cash balances
PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)		
06-2	19	Inaccurate expenditure reports filed
06-3	19	Inadequate review of journal entries
06-4	19	Controls over compliance with laws and regulation
PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)		
06-2	19	Inaccurate expenditure reports filed

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
For the Year Ended June 30, 2007**

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on January 17, 2008. The following people attended this meeting:

<u>Name</u>	<u>Title</u>
Robert A. Daiber	Regional Superintendent
Cullen L. Cullen	Assistant Superintendent
Dale B. Holtmann	Special Assistant Auditor, J. W. Boyle & Co., Ltd.

Responses to the recommendations were provided by Robert A. Daiber in a letter dated February 12, 2008.

**Financial Presentation
Examined****FINANCIAL STATEMENT REPORT**

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

The financial statement report is comprised of the following:

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

Auditors' Reports

- An Auditors' Reports section containing statements by the auditors on the scope and results of their audit, as required by applicable professional standards.

Financial Statements

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

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

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
For the Year Ended June 30, 2007**

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Regional Office of Education #41 was performed by J.W. Boyle & Co., Ltd.

Based on their audit, the auditors expressed an unqualified opinion on the Regional Office of Education #41's basic financial statements.



INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Regional Office of Education #41, as of and for the year ended June 30, 2007, which collectively comprise the Regional Office of Education #41's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Regional Office of Education #41's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Regional Office of Education #41, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 8, 2008 on our consideration of the Regional Office of Education #41's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 20 through 26 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional Office of Education #41's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



J. W. Boyle & Co., Ltd.

May 8, 2008



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Regional Office of Education #41, as of and for the year ended June 30, 2007, which collectively comprise the Regional Office of Education #41's basic financial statements and have issued our report thereon dated May 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Regional Office of Education #41's (ROE #41) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ROE #41's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ROE #41's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting, 07-1 and 07-2.

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

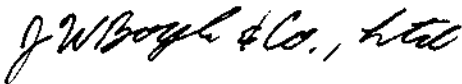
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, of the significant deficiencies described above, we consider item 07-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ROE #41's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 07-2.

ROE #41's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit ROE #41's response and, accordingly, we express no opinion on it.

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



J. W. Boyle & Co., Ltd.

May 8, 2008



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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the Regional Office of Education #41 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Regional Office of Education #41's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Regional Office of Education #41's management. Our responsibility is to express an opinion on the Regional Office of Education #41's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Regional Office of Education #41's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Regional Office of Education #41's compliance with those requirements.

In our opinion, the Regional Office of Education #41 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 07-2.

Internal Control over Compliance

The management of the Regional Office of Education #41 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Regional Office of Education #41's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Regional Office of Education #41's internal control over compliance.

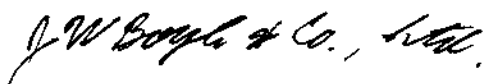
Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Regional Office of Education #41's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Regional Office of Education #41's response and, accordingly, we express no opinion on it.

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



J. W. Boyle & Co., Ltd.

May 8, 2008

STATE OF ILLINOIS
 REGIONAL OFFICE OF EDUCATION #41
 MADISON COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes No

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

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

Identification of **major** programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.366	Mathematics and Science Partnership
84.357	Title I – Reading First Part B SEA Funds

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

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

STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Section II--Financial Statement Findings

FINDING NO.	07-1
REPEATED FROM	<u>06-1, 05-2, 04-2,</u> 03-3

Controls Over Financial Statement Preparation

1. *Criteria/specific requirement:*

The Regional Office of Education #41 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

2. *Condition:*

The Regional Office of Education #41 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. 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 financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenues.
- The Regional Office did not maintain adequate controls over the financial reporting process and numerous adjustments were required to present the financial statements in accordance with generally accepted accounting principles.

3. *Effect:*

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

4. *Cause:*

The Regional Office of Education #41 has failed to maintain subsidiary records of accounts receivable, accounts payable, and deferred revenue. There also appears to be a lack of understanding of proper accounting standards and reporting requirements to prepare the financial statements.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

5. ***Recommendation:***

As part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #41 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

6. ***Management's response:***

The Regional Office of Education #41 will implement a comprehensive preparation and review procedure to ensure the financial statements, including disclosures, are complete and accurate. This will be accomplished during Fiscal Year 2008 by entering into a contract with a knowledgeable public accounting firm that has the appropriate expertise and understanding of the policies and procedures of the Regional Office of Education.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

Section II--Financial Statement Findings

FINDING NO.

07-2

REPEATED FROM

N/A

Federal Program Name and Year: (a) Mathematics & Science Partnership, (b) Title I Reading First
(c) Title IV Community Service Grant

Project No.: (a) 07-4936-01, (b) 07-4337-00, 07-4337-04, (c) 04-4420-00

CFDA No.: (a) 84.366, (b) 84.357, (c) 84.184

Passed Through: (a) Illinois State Board of Education, (b) Illinois State Board of Education
(c) Illinois State Board of Education

Federal Agency: (a) U.S. Department of Education, (b) U.S. Department of Education
(c) U.S. Department of Education

Inactive accounts with excess cash balances

1. **Criteria/specific requirement:**

Good accounting practices require inactive accounts with outstanding or deficit cash balances to be closed appropriately. The Illinois Grant Funds Recovery Act (30 ILCS 705/5) requires that all grant funds that have not been expended or obligated by the end of the grant period be returned to the granting agency within 45 days after the end of the period. The Act (30 ILCS 705/10) also states that all interest earned on grant funds held by a grantee shall become part of the grant principal when earned and be treated accordingly for all purposes unless the grant agreement provides otherwise. In addition, the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (34 Code of Federal Regulations Part 80.21) requires that interest earned on federal fund balances in excess of \$100 be remitted back to the federal granting agency.

2. **Condition:**

The Madison County Regional Office of Education #41 has inactive accounts with outstanding cash balances. As of June 30, 2007, there were three accounts on the general ledger with cash balances that have not had any activity since 2005. In addition, there are three funds that have unspent interest revenue from grant funds that is required to be returned to the grantor.

Inactive cash account balance	
Title IV Community Service Grant	\$ 4,718
Scientific Literacy	1,146
State Substance Abuse & Violence Prevention	7,521
	<u>\$ 13,385</u>
Excess interest revenue	
Mathematics & Science Partnership	\$ 509
Title I Reading First Technical Assistance	178
Title I Reading First Part B SEA	111
	<u>\$ 798</u>

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

3. ***Questioned Costs***

The unspent interest revenue of \$798 represents questioned costs that need to be returned to the Illinois State Board of Education.

4. ***Context***

The Regional Office of Education has 23 grants that they administer and account for through separate funds. Of these, three funds have maintained a cash balance with no activity for two years and three funds have excess cash balances from interest earnings that are required to be returned to the grantor.

5. ***Effect:***

Noncompliance with the Illinois Grant Funds Recovery Act and the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (34 Code of Federal Regulations Part 80.21).

6. ***Cause:***

The Regional Office of Education #41 did not monitor the number of accounts, the interest earnings, or cash balances that have remained inactive.

7. ***Recommendation:***

The Regional Office of Education #41 should investigate the interest earnings and cash balances remaining in accounts with no activity, or after a grant period has ended, to determine the appropriate action needed to close out these accounts. In addition, the Regional Office of Education #41 should obtain adequate documentation from granting agencies regarding the disposition of outstanding grant money and return the outstanding grant money if so required.

8. ***Management's response:***

The Regional Office of Education #41 will investigate interest earned and cash balance remaining in accounts without activities annually to determine appropriate action to close out accounts. The funds' excess funds identified in the 2007 audit will be returned to the funding agency immediately.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

Section III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NONCOMPLIANCE:

1. Finding No. 07-2 Some programs did not disburse excess grant funds and interest income
(finding detail on pages 14-15)

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
JUNE 30, 2007**

Corrective Action Plan

Finding No.: 07-1

Condition:

The Regional Office of Education #41 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. 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 sufficient for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenues.
- The Regional Office did not maintain adequate controls over the financial reporting process and numerous adjustments were required to present the financial statements in accordance with generally accepted accounting principles.

Plan:

The Regional Office of Education #41 will implement a comprehensive preparation and review procedure to ensure the financial statements, including disclosures, are complete and accurate. This will be accomplished during Fiscal Year 2008 by entering into a contract with a knowledgeable public accounting firm that has the appropriate expertise and understanding of the policies and procedures of the Regional Office of Education.

Anticipated Date of Completion:

As soon as practical.

Name of Contact Person:

Robert A. Daiber, Regional Superintendent

STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
JUNE 30, 2007

Corrective Action Plan

Finding No.: 07-2

Condition:

The Madison County Regional Office of Education #41 has inactive accounts with outstanding cash balances. As of June 30, 2007, there were three accounts on the general ledger with cash balances that have not had any activity since 2005. In addition, there are three funds that have unspent interest revenue from grant funds that is required to be returned to the grantor.

Inactive cash account balance	
Title IV Community Service Grant	\$ 4,718
Scientific Literacy	1,146
State Substance Abuse & Violence Prevention	<u>7,521</u>
	<u>\$ 13,385</u>

Excess interest revenue	
Mathematics & Science Partnership	\$ 509
Title I Reading First Technical Assistance	178
Title I Reading First Part B SEA	<u>111</u>
	<u>\$ 798</u>

Plan:

The Regional Office of Education #41 will investigate interest earned and cash balance remaining in accounts without activities annually to determine appropriate action to close out accounts. The funds' excess funds identified in the 2007 audit will be returned to the funding agency immediately.

Anticipated Date of Completion:

As soon as practical.

Name of Contact Person:

Robert A. Daiber, Regional Superintendent

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2007**

Finding Number	Condition	Current Status
06-1	Unrecorded payables and receivables material to the financial statements	Repeat Finding
06-2	Inaccurate expenditure reports filed	Corrected, no expenditure reports need to be amended in the current year
06-3	Inadequate review of journal entries	Corrected, a process was implemented in which all general journal entries are approved before being entered
06-4	Controls over compliance with laws and regulation	Corrected, these mandates have been repealed

**REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Madison County Regional Office of Education #41 (ROE #41), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the ROE #41 for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with ROE #41's financial statements, which follow this section.

2007 Financial Highlights

- The assets of the Regional Office of Education #41 exceeded its liabilities by approximately \$2,030,000 (total net assets). The total net assets increased by approximately \$20,000 or 1%.
- Operating grant monies received by the ROE #41 decreased by approximately \$185,000 in 2007. This decrease is mainly due to decreases in grants received for the Lincoln Charter School, Technology for Schools Network, and Technology Enhancing Education Competitive Grant.
- Charges for services, Governmental Activities revenues increased by approximately \$184,000 over FY'07; whereas Business-type activities revenues decreased by approximately \$97,000.
- Total expenses for ROE #41 decreased by approximately \$60,000 due to the Technology Enhancing Education Competitive Grant being finalized in 2006.

Overview of the Financial Statement

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. These financial statements provide information about the activities of ROE #41 as a whole and present an overall view of the Agency's finances in a manner similar to private sector businesses.
- The fund financial statements illustrate how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report ROE #41's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Supplementary information further explains and supports the financial statements.
- Other information includes combining financial statements and budgetary information for certain general fund accounts, Education fund accounts, Educational Therapy Center, and other non-major accounts.

See independent auditors' report.

**REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of ROE #41's finances, in a manner similar to private-sector businesses.

The Statement of Net Assets presents information on all of ROE #41's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of ROE #41 is improving or deteriorating.

The Statement of Activities presents information showing how ROE #41's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for certain items that will only result in cash flows in future fiscal periods.

In the government-wide financial statements, ROE #41's activities are divided into two categories:

- *Governmental activities:* Most of ROE #41's basic services are included here, such as regular and special education instruction, instructional staff support services and administration. Federal, state and local grants and contributions finance many of these activities.
- *Business-type activities:* ROE #41 charges fees to help cover the costs of certain services it provides, such as workshops, conferences and teacher certification.

The government-wide financial statements can be found on pages 27-28 of this report.

Fund financial statements. The fund financial statements provide detailed information about ROE #41's funds, focusing on its most significant or "major" funds, not ROE #41 as a whole. Funds are accounting devices ROE #41 uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law. ROE #41 establishes other funds to control and manage money for particular purposes, such as educational instruction in specific areas or in order to show that it is properly using certain revenues, such as federal grants. All of the funds of ROE #41 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* account for most of ROE #41's basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. Because the governmental fund information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the statements. By so doing, the readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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

The basic governmental fund financial statements can be found on pages 29 and 31 of this report.

Proprietary funds. ROE #41 maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide statements. ROE #41 uses enterprise funds to account for educational services for which it charges a fee. Proprietary fund statements provide the same type of information as the government-wide financial statements, but with more detail and additional information, such as cash flows. The proprietary fund financial statements provide separate information for the Technology Hub, Workshop, and Teacher's Institute funds.

The proprietary funds required financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows. The basic proprietary fund financial statements can be found on pages 33-35 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support ROE #41's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund statement can be found on page 36 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-54 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning ROE #41. Overall budgeting is not a legal requirement for ROE #41. Accordingly, formal budgets are not adopted; and therefore, budgetary comparison statements are not included in the required supplementary information. However, ROE #41 is the recipient of monies from the Illinois State Board of Education (ISBE) for certain accounts within the general fund and for most accounts within the education fund on which ISBE requires budgetary comparison to actual results. Budgetary comparison schedules have been provided for the ISBE accounts to demonstrate compliance and can be found on pages 58 and 63-68 of this report.

The combining statements, in connection with the General Fund, Education Funds, Educational Therapy Center, and non-major special revenue funds can be found on pages 56-74 of this report.

See independent auditors' report.

**REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Madison County Regional Office of Education's net assets at the end of the Fiscal Year 2007 totaled approximately \$2.03 million. This is compared to approximately \$2.01 million at the end of Fiscal Year 2006. The analysis that follows provides a summary of the ROE's net assets at June 30, 2007 for the governmental and business-type activities.

	Condensed Statement of Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 1,667,732	\$ 1,748,398	\$ 637,517	\$ 650,147	\$ 2,305,249	\$ 2,398,545
Capital assets	227,550	248,731	1,231	1,731	228,781	250,462
Total assets	<u>\$ 1,895,282</u>	<u>\$ 1,997,129</u>	<u>\$ 638,748</u>	<u>\$ 651,878</u>	<u>\$ 2,534,030</u>	<u>\$ 2,649,007</u>
Current liabilities	\$ 395,876	\$ 430,100	\$ 3,902	\$ 27,716	\$ 399,778	\$ 457,816
Noncurrent liabilities	103,717	180,697	-	-	103,717	180,697
Total liabilities	<u>\$ 499,593</u>	<u>\$ 610,797</u>	<u>\$ 3,902</u>	<u>\$ 27,716</u>	<u>\$ 503,495</u>	<u>\$ 638,513</u>
Net assets:						
Invested in Capital Assets, net of related debt	\$ 227,550	\$ 248,731	\$ 1,231	\$ 1,731	228,781	\$ 250,462
Restricted	-	-	241,074	213,955	241,074	213,955
Unrestricted	<u>1,168,139</u>	<u>1,137,601</u>	<u>392,541</u>	<u>408,476</u>	<u>1,560,680</u>	<u>1,546,077</u>
Total net assets	<u>\$ 1,395,689</u>	<u>\$ 1,386,332</u>	<u>\$ 634,846</u>	<u>\$ 624,162</u>	<u>\$ 2,030,535</u>	<u>\$ 2,010,494</u>

Year 2007 total assets, comprised predominately of cash and receivables, for governmental activities and business-type activities decreased approximately \$115,000 and liabilities decreased approximately \$135,000, both due in large part to the timing of grant receipts and the spending of excess funds in the Educational Therapy Center Fund.

As indicated above, ROE #41 reported positive net assets for both the governmental and business-type activities. The assets of ROE #41 exceeded its liabilities at the close of the year by approximately \$2,030,000 (net assets). The investment in net capital assets was approximately \$229,000 at the end of Fiscal Year 2007. ROE #41 uses these capital assets in providing services to its citizens; consequently, these assets are not available for future spending.

Net assets of ROE #41 increased by approximately \$20,000 during Fiscal Year 2007. The net increase is a result of an increase in revenues and a decrease in expenditures. Key elements of the change are as follows:

See independent auditors' report.

**REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

	Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 2,028,703	\$ 1,844,606	\$ 169,033	\$ 265,775	\$ 2,197,736	\$ 2,110,381
Operating grants and contributions	1,922,295	2,107,066	-	-	1,922,295	2,107,066
General revenues:						
Local source	140,263	59,250	-	-	140,263	59,250
State source	68,444	1,855	-	-	68,444	1,855
Investment Earnings	47,610	45,398	22,873	19,428	70,483	64,826
On-behalf payments	1,027,292	975,644	-	-	1,027,292	975,644
Total revenues	5,234,607	5,033,819	191,906	285,203	5,426,513	5,319,022
Primary government:						
Instructional Services:						
Salaries and benefits	3,013,891	2,947,381	105,292	137,027	3,119,183	3,084,408
Purchased services	872,248	677,485	35,816	72,971	908,064	750,456
Supplies and materials	224,648	283,269	19,949	15,227	244,597	298,496
Capital Outlay	-	6,132	-	7,822	-	13,954
Other objects	7,983	6,789	300	-	8,283	6,789
Other payments to governments	-	257,786	19,365	6,357	19,365	264,143
Depreciation	76,642	69,684	500	500	77,142	70,184
Administrative on-behalf payments:						
State	379,962	336,460	-	-	379,962	336,460
Local	647,330	639,184	-	-	647,330	639,184
Total expenses	5,222,704	5,224,170	181,222	239,904	5,403,926	5,464,074
Transfers	-	14,239	-	(14,239)	-	-
Loss on disposal of capital assets	(2,546)	-	-	-	(2,546)	-
Change in net assets	9,357	(176,112)	10,684	31,060	20,041	(145,052)
Net assets, beginning of year	1,386,332	1,562,444	624,162	593,102	2,010,494	2,155,546
Net assets, end of year	\$ 1,395,689	\$ 1,386,332	\$ 634,846	\$ 624,162	\$ 2,030,535	\$ 2,010,494

GOVERNMENTAL ACTIVITIES

Revenues for Governmental activities increased approximately \$200,000 or 4% in Fiscal Year 2007. A significant factor in this increase was the Lincoln Charter School program revenue increased nearly \$176,000 as the tuition was increased \$4,500 per student to offset the rising cost in the school. Further, ROE #41 received additional funding from the School Improvement grant, Mathematics and Science grant, and from Title I Reading First grant to help offset the decrease from other grants that were discontinued in 2007.

See independent auditors' report.

**REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

The expenditures in total only decreased approximately \$1,000. The increase in personnel cost and purchased services is a factor of the additional grant monies received as noted above. The decrease in the remaining expenditures is attributable to the Technology Enhancing Education Competitive Grant which was finalized in 2006.

BUSINESS-TYPE ACTIVITIES

Revenues for this activity are comprised of charges for services. Expenses are for the purchase of services and the costs related to the workshops, conferences and academics conducted by the ROE. The decrease in the revenues of approximately \$93,000 is a result of a decrease in the number of teachers' certificate registrations. Expenditures decreased by approximately \$59,000 as the number of conferences and workshops decreased.

FINANCIAL ANALYSIS OF THE REGIONAL OFFICE OF EDUCATION'S FUNDS

As previously noted, Madison County Regional Office of Education #41 uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

GOVERNMENTAL FUND HIGHLIGHTS

The ROE's governmental funds reported combined fund balances of approximately \$1,272,000, this is a decrease of approximately \$46,000 from last year's ending fund balance of \$1,318,000. The change in governmental funds is attributable to the change in revenues and expenditures as discussed in Governmental Activities above and the difference of reporting capital assets and accrued absences.

PROPRIETARY FUND HIGHLIGHTS

The business-type activities net assets increased approximately \$10,000, from \$624,000 at June 30, 2006 to \$634,000 at June 30, 2007, representing an increase of approximately 2 percent.

BUDGETARY HIGHLIGHTS

Presenting an overall budget is not a legal requirement of ROE #41. Formal budgets are not adopted for all funds; therefore budgetary comparison statements are not included in the financial statements.

ROE #41 is a subrecipient for certain grant programs that are accounted for within the special revenue funds. These programs have separate budgets and are required to be reported to the Illinois State Board of Education. Comparison of budgeted and actual results for various programs are presented as supplementary information.

CAPITAL ASSETS

At June 30, 2007, the ROE had invested approximately \$227,000, net of accumulated depreciation, in computers, audio-visual equipment, and other office equipment. This is a net decrease of approximately \$21,000 from last year. This decrease represents depreciation of \$77,000, equipment additions of \$58,000, and a net loss on the disposal of some computer equipment of approximately \$2,000.

More detailed information about capital assets is available in Note 3 to the financial statements.

See independent auditors' report.

**REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the ROE was aware of several existing circumstances that could significantly affect its financial health in the future.

- The ROE has experienced an increase in the number of students being served by its programs in the past year. A slight increase in enrollment is expected at the Lighthouse Education Assistance Program and the Educational Therapy Center for the upcoming year based on requests from local school districts.
- The ROE's special day treatment program has made cuts in direct instructional staff due to a decrease in referrals from local school districts. Further cuts may be warranted at the end of FY'08.
- The ROE received a special appropriation in fiscal year 2007 totaling \$250,000 for the School Improvement fund. It is expected that this will continue in FY'08.
- The Lincoln Charter School was deactivated at the close of fiscal year 2007. The Illinois State Board of Education was notified and all liabilities have been paid.

CONTACTING THE REGIONAL OFFICE OF EDUCATION'S FINANCIAL MANAGEMENT

The financial report is designed to provide the ROE's citizens, taxpayers, customers, and constituents with a general overview of the ROE's finances and to demonstrate the ROE's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Office Manger's Office of the Madison County Regional Office of Education, 157 N. Main Street, Suite 438, Edwardsville, IL 62025.

BASIC FINANCIAL STATEMENTS

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 1,308,201	\$ 629,345	\$ 1,937,546
Due from other governments	137,581	-	137,581
Accounts receivable	221,950	8,172	230,122
Prepaid items	-	-	-
Total current assets	1,667,732	637,517	2,305,249
Noncurrent assets:			
Capital assets, net of depreciation	227,550	1,231	228,781
Total noncurrent assets	227,550	1,231	228,781
 TOTAL ASSETS	 \$ 1,895,282	 \$ 638,748	 \$ 2,534,030
 LIABILITIES			
Current liabilities:			
Accounts payable	\$ 104,961	\$ 299	\$ 105,260
Accrued payroll	185,306	1,604	186,910
Due to other governments	13,986	1,999	15,985
Deferred revenue	91,623	-	91,623
Other current liabilities	-	-	-
Total current liabilities	395,876	3,902	399,778
Noncurrent liabilities			
Compensated absences	103,717	-	103,717
 TOTAL LIABILITIES	 \$ 499,593	 \$ 3,902	 \$ 503,495
 NET ASSETS			
Invested in capital assets, net of related debt	\$ 227,550	\$ 1,231	\$ 228,781
Unrestricted	1,168,139	392,541	1,560,680
Restricted for teacher professional development	-	241,074	241,074
 TOTAL NET ASSETS	 \$ 1,395,689	 \$ 634,846	 \$ 2,030,535

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

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instructional Services:							
Salaries and benefits	\$ 3,013,891	\$ 1,677,672	\$ 1,190,844	\$ -	\$ (145,375)	\$ -	\$ (145,375)
Purchased services	872,248	254,953	549,946	-	(67,349)	-	(67,349)
Supplies and materials	224,648	87,921	127,802	-	(8,925)	-	(8,925)
Capital outlay	-	4,334	50,287	-	54,621	-	54,621
Other objects	7,983	3,823	3,416	-	(744)	-	(744)
Other payments to governments	-	-	-	-	-	-	-
Depreciation	76,642	-	-	-	(76,642)	-	(76,642)
Administrative:							
On-behalf payments - State	379,962	-	-	-	(379,962)	-	(379,962)
On-behalf payments - Local	647,330	-	-	-	(647,330)	-	(647,330)
Total governmental activities	5,222,704	2,028,703	1,922,295	-	(1,271,706)	-	(1,271,706)
Business-type activities:							
Instructional Services:							
Total business-type activities	181,222	169,033	-	-	-	(12,189)	(12,189)
Total primary government	5,403,926	2,197,736	1,922,295	\$ -	(1,271,706)	(12,189)	(1,283,895)
General Revenues:							
Local Sources				140,263	-	-	140,263
State Sources				68,444	-	-	68,444
On-behalf payments				1,027,292	-	-	1,027,292
Interest				47,610	22,873	-	70,483
(Loss) on disposal of capital assets				(2,546)	-	-	(2,546)
Transfers				-	-	-	-
Total general revenues and transfers				1,281,063	22,873	-	1,303,936
Change in net assets				9,357	10,684	-	20,041
Net Assets - beginning				1,386,332	624,162	-	2,010,494
Net Assets - ending				\$ 1,395,689	\$ 634,846	-	\$ 2,030,535

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

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2007

	General Fund	Education Fund	Lighthouse Educational Assistance Program	Lincoln Charter School	Educational Therapy Center	Other Non-major Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 6,741	\$ 558,483	\$ 388,929	\$ 24,843	\$ 251,168	\$ 78,037	\$ 1,308,201
Due from other governments	1,865	135,613	-	-	103	-	137,581
Accounts Receivable	20,245	-	48,430	1,366	137,594	14,315	221,950
Prepaid items	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 28,851	\$ 694,096	\$ 437,359	\$ 26,209	\$ 388,865	\$ 92,352	\$ 1,667,732
LIABILITIES							
Accounts payable	\$ 17,010	\$ 60,058	\$ 1,794	\$ 2,010	\$ 19,542	\$ 4,547	\$ 104,961
Accrued payroll	5,863	40,883	27,607	24,199	86,754	-	185,306
Due to other governments	517	13,469	-	-	-	-	13,986
Deferred Revenue	1,341	90,282	-	-	-	-	91,623
Total liabilities	24,731	204,692	29,401	26,209	106,296	4,547	395,876
FUND BALANCES							
Unreserved, reported in:							
General fund	4,120	-	-	-	-	-	4,120
Special revenue fund	-	489,404	407,958	-	282,569	87,805	1,267,736
Total fund balances	4,120	489,404	407,958	-	282,569	87,805	1,271,856
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,851	\$ 694,096	\$ 437,359	\$ 26,209	\$ 388,865	\$ 92,352	\$ 1,667,732

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
June 30, 2007**

Total Fund balances - governmental funds	\$ 1,271,856
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	227,550
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	<u>(103,717)</u>
Net assets of governmental activities	<u><u>\$ 1,395,689</u></u>

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

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2007

	General Fund	Education Fund	Lighthouse Educational Assistance Program	Lincoln Charter School	Educational Therapy Center	Other Non-Major Funds	Total Governmental Funds
Revenues:							
Local sources	\$ 20,245	\$ 59,719	\$ 352,947	\$ 560,612	\$ 1,079,014	\$ 96,429	\$ 2,168,966
State sources	682,003	735,307	-	-	1,572	2,440	1,421,322
Federal sources	-	540,591	-	-	28,826	-	569,417
On-behalf payments	1,027,292	-	-	-	-	-	1,027,292
Interest	2,987	15,753	11,802	89	13,153	3,826	47,610
Total revenues	1,732,527	1,351,370	364,749	560,701	1,122,565	102,695	5,234,607
Expenditures:							
Salaries and benefits	412,149	850,399	290,526	327,759	1,208,394	1,644	3,090,871
Purchased services	267,503	326,563	6,548	106,670	56,852	108,112	872,248
Supplies and materials	48,753	79,865	5,232	36,813	43,364	10,621	224,648
Capital Outlay	45,003	9,936	3,068	-	-	-	58,007
Other objects	304	3,112	1,214	423	-	2,930	7,983
Payments to other governments	-	-	-	-	-	-	-
On-behalf payments	1,027,292	-	-	-	-	-	1,027,292
Total expenditures	1,801,004	1,269,875	306,588	471,665	1,308,610	123,307	5,281,049
Revenues over (under) expenditures	(68,477)	81,495	58,161	89,036	(186,045)	(20,612)	(46,442)
Other financing sources (uses)							
Transfers in	-	-	-	4,839	-	1,088	5,927
Transfers out	-	(4,839)	-	-	-	(1,088)	(5,927)
Total other financing sources	-	(4,839)	-	4,839	-	-	-
Net change in fund balances	(68,477)	76,656	58,161	93,875	(186,045)	(20,612)	(46,442)
Fund balance, beginning of year (restated)	72,597	412,748	349,797	(93,875)	468,614	108,417	1,318,298
Fund balance, end of year	\$ 4,120	\$ 489,404	\$ 407,958	\$ -	\$ 282,569	\$ 87,805	\$ 1,271,856

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007**

Net change in fund balances \$ (46,442)

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

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

Capital Outlay	\$ 58,007	
Depreciation expense	(76,642)	
Loss on disposal of capital assets	<u>(2,546)</u>	(21,181)

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

Compensated absences	<u>76,980</u>	
----------------------	---------------	--

Change in net assets of governmental activities \$ 9,357

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

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Business-Type Activities - Enterprise Funds</u>			
	Technology			
	Hub			
ASSETS	<u>Enterprise</u>	<u>Workshop</u>	<u>Institute</u>	<u>Total</u>
Current assets:				
Cash and investments	\$ 167,212	\$ 227,232	\$ 234,901	\$ 629,345
Due from other governments	-	-	-	-
Accounts receivable	-	-	8,172	8,172
Prepaid items	-	-	-	-
Total current assets	<u>167,212</u>	<u>227,232</u>	<u>243,073</u>	<u>637,517</u>
Noncurrent assets				
Capital assets, net of depreciation	<u>1,231</u>	-	-	<u>1,231</u>
Total noncurrent assets	<u>1,231</u>	<u>-</u>	<u>-</u>	<u>1,231</u>
TOTAL ASSETS	<u>168,443</u>	<u>227,232</u>	<u>243,073</u>	<u>638,748</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	108	191	-	299
Accrued payroll	-	1,604	-	1,604
Due to other governments	-	-	1,999	1,999
Deferred revenue	-	-	-	-
Other current liabilities	-	-	-	-
Total current liabilities	<u>108</u>	<u>1,795</u>	<u>1,999</u>	<u>3,902</u>
Non current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>108</u>	<u>1,795</u>	<u>1,999</u>	<u>3,902</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,231	-	-	1,231
Unrestricted	167,104	225,437	-	392,541
Restricted for teacher professional development	<u>-</u>	<u>-</u>	<u>241,074</u>	<u>241,074</u>
TOTAL NET ASSETS	<u>\$ 168,335</u>	<u>\$ 225,437</u>	<u>\$ 241,074</u>	<u>\$ 634,846</u>

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET ASSETS
 For the Year Ended June 30, 2007**

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Technology Hub Enterprise</u>	<u>Workshop</u>	<u>Institute</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 5,659	\$ 117,104	\$ 46,270	\$ 169,033
Operating expenses				
Salaries and benefits	-	105,292	-	105,292
Purchased services	608	28,462	6,746	35,816
Supplies and materials	399	18,577	973	19,949
Capital outlay	-	-	-	-
Other	-	-	300	300
Depreciation	500	-	-	500
Payments to Other Governments	-	-	19,365	19,365
Total operating expenses	<u>1,507</u>	<u>152,331</u>	<u>27,384</u>	<u>181,222</u>
Operating income (loss)	<u>4,152</u>	<u>(35,227)</u>	<u>18,886</u>	<u>(12,189)</u>
Nonoperating revenue				
Interest	<u>6,057</u>	<u>8,583</u>	<u>8,233</u>	<u>22,873</u>
Income (loss) before transfers	<u>10,209</u>	<u>(26,644)</u>	<u>27,119</u>	<u>10,684</u>
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total operating transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	10,209	(26,644)	27,119	10,684
Net Assets, Beginning of year	<u>158,126</u>	<u>252,081</u>	<u>213,955</u>	<u>624,162</u>
Net Assets, End of year	<u>\$ 168,335</u>	<u>\$ 225,437</u>	<u>\$ 241,074</u>	<u>\$ 634,846</u>

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

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds			
	Technology Hub			
	Enterprise	Workshop	Institute	Total
Cash flows from operating activities:				
Receipts from customers	\$ 5,659	\$ 128,293	\$ 47,530	\$ 181,482
Payments to suppliers and providers of goods and services	(2,084)	(67,937)	(28,660)	(98,681)
Payments to employees	-	(105,855)	-	(105,855)
Net cash provided by (used for) operating activities	<u>3,575</u>	<u>(45,499)</u>	<u>18,870</u>	<u>(23,054)</u>
Cash flows from noncapital financing activities:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Interest received on investments	<u>6,057</u>	<u>8,583</u>	<u>8,233</u>	<u>22,873</u>
Net cash provided by investing activities	<u>6,057</u>	<u>8,583</u>	<u>8,233</u>	<u>22,873</u>
Net increase (decrease) in cash and cash equivalents	9,632	(36,916)	27,103	(181)
Cash and cash equivalents - Beginning of year	<u>157,580</u>	<u>264,148</u>	<u>207,798</u>	<u>629,526</u>
Cash and cash equivalents - End of year	<u>\$ 167,212</u>	<u>\$ 227,232</u>	<u>\$ 234,901</u>	<u>\$ 629,345</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 4,152	\$ (35,227)	\$ 18,886	\$ (12,189)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	500	-	-	500
Change in assets and liabilities:				
Decrease in accounts receivable	-	11,189	1,260	12,449
(Decrease) in accounts payable	(1,077)	(20,898)	-	(21,975)
(Decrease) in due to other governments	-	-	(1,276)	(1,276)
(Decrease) in accrued payroll	-	(563)	-	(563)
Net cash provided by (used for) operating activities	<u>\$ 3,575</u>	<u>\$ (45,499)</u>	<u>\$ 18,870</u>	<u>\$ (23,054)</u>

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

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2007

	<u>Agency Fund</u>
ASSETS	
Cash (overdrafts)	\$ (6,168)
Accounts receivable	<u>4,375</u>
Total assets	<u><u>\$ (1,793)</u></u>
 LIABILITIES	
Due to other governments	<u>\$ (1,793)</u>
Total liabilities	<u><u>\$ (1,793)</u></u>

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

NOTES TO FINANCIAL STATEMENTS

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Regional Office of Education #41 is presented to assist in understanding the Regional Office of Education's financial statements. The financial statements and notes are representations of the Regional Office of Education's management who is responsible for the integrity and objectivity of the financial statements. The Illinois Administrative Code, Title 23 - Subtitle A, Chapter I, Section 110.115a, requires each Regional Office of Education to prepare annual financial statements in conformity with accounting principles generally accepted in the United States of America. These principles have been consistently applied in the preparation of the financial statements.

A. Financial Reporting Entity

The Regional Office of Education #41 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

The Regional Superintendent is responsible for supervision and control of school districts within Regional Office of Education #41. This includes all aspects of supervision, reports and financial accounting of districts, which are considered by State law to be in the Regional Office of Education. In addition, the Regional Superintendent is charged with responsibility for township fund lands; registration of the names of applicants for scholarships to State controlled universities; examinations and related duties; visitation of public schools; direction of teachers and school officers; to serve as the official advisor and assistant of school officers and teachers; to conduct teachers institutes as well as to aid and encourage the formation of other teachers meetings and assist in their management; evaluate the schools in the Regional Office of Education; examine school treasurer's books, accounts, and vouchers; examine evidence of indebtedness; file and keep the returns of elections required to be returned to the Regional Superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

The Regional Superintendent is responsible for inspection and approval or rejection of school treasurer's bonds. The Regional Superintendent is also required to provide the State Board of Education with an affidavit showing that the treasurers of school districts under his control are properly bonded.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the Regional Office of Education, or see that no payments are made unless the treasurer has filed or renewed appropriate bonds and that the district has certified publication of the annual financial report.

The Regional Superintendent is required to provide opinions and advice related to controversies under school law.

For the period ended June 30, 2007, the Regional Office of Education applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Regional Office of Education #41. Such activities are reported as a single major fund (Education Fund).

B. Scope of the Reporting Entity

The Regional Office of Education reporting entity includes all related organizations for which they exercise oversight responsibility.

The Regional Office of Education has developed criteria to determine whether outside agencies with activities, which benefit the citizens of the region, including districts or joint agreements, which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the Regional Office of Education exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the Regional Office of Education does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education is not aware of any entity, which would exercise such oversight as to result in the Regional Office being considered a component unit of the entity.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Regional Office of Education #41. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by grant revenues and intergovernmental revenues, are reported separately from business-type activities, which would generally rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the nonfiduciary assets and liabilities, with the differences reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The accounts of the Regional Office of Education #41 are organized on the basis of funds and account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts. The Regional Office of Education #41 maintains individual funds required by the State of Illinois and as established by purpose or agreements. The various funds are summarized by type in the financial statements. These funds and accounts are grouped by fund type. The Regional Office of Education's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and by the means in which spending activities are controlled.

STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and fund financial statements (continued)

The various funds used by the Regional Office of Education #41 are categorized as follows for presentation in the financial statements:

Governmental Fund Types

General Funds

The General Fund is used to account for all financial resources except those required to be accounted for in other funds. The General Fund includes the following funds:

Technology Hub - This fund receives a grant for the purpose of providing a coordinated, state-wide support infrastructure which assists the school districts in planning for, implementing, assessing results and educating school staff in the use of technology and telecommunications in curricular, instructional and administrative functions.

School Improvement - Accounts for the ROE/ISC Operations grant and transactions associated with the operations of the Regional Office of Education.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes. The Special Revenue Funds include the following funds:

Education Fund - This fund is used to account for State and federal grant monies received for, and payment of, administering numerous grant awards. The Education Fund includes the following funds:

Truants Alternative and Optional Education Project - This fund is used to account for the grant monies received for, and payment of, providing truancy prevention programming and monitoring truants.

Vocational Adjustment Counselor - This fund is used to account for grant monies received for, and payment of, program costs to provide rehabilitation counseling for individuals in secondary work experience.

Title IV Community Service Grant - This fund is used to account for the grant monies received for, and payment of, community service activities for the Regional Safe School students.

Mathematics & Science Partnership - This fund is used to account for administration of monies for the Mathematics & Science Partnership program. The purpose of the grant is to target math and science teachers with content for professional development.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and fund financial statements (continued)

Education Fund (continued)

Scientific Literacy - This fund is used to account for the grant monies received for, and payment of, school improvement plans for regional schools in the areas of math and science and to coordinate teacher development in math and science.

State Substance Abuse & Violence Prevention - This fund is used to account for the grant monies received for, and payment of, plans to stop substance abuse and violence in the school districts.

Regional Safe Schools - This fund is used to account for the grant monies received for, and the payment of, local, regional and statewide training opportunities and professional development for faculty and staff.

General State Aid - This fund is used to account for the grant monies received for, and the payment of, additional Regional Safe Schools monies.

Migrant Education – This fund is used to account for grant monies received for, and payment of, outreach services for migrant workers in the Madison County area.

State Standards & Assessment – The purpose of this grant is to support the development of school and district improvement planning with particular emphasis on data analysis. In addition, focus on school community relations is addressed.

Title I School Improvement – The purpose of this grant is to conduct targeted assistance with planning, professional development, and data analysis solely with struggling schools eligible to receive service.

Title I – Reading First Technical Assistance – This fund is used to account for grant monies received for, and payment of, technical assistance activities for an Early Reading Specialist.

Title I - Reading First Part B SEA Fund - This fund is used to account for grant monies received for, and payment of, professional development in the area of reading for teachers in the Madison and Venice school districts.

Title I - Reading First Part B Training Academy – This fund is used to account for the grant monies received for, and payment of, professional development in the area of reading for K-3 teachers in Madison County.

Reading Improvement Statewide – This fund is used to account for the grant monies received for, and payment of, the design and implementation of professional development and resource materials for administrators and teachers in grades K-6.

Standards Aligned Classroom - This fund is used to account for administration of monies for Learning Teams involved with the Standards Aligned Classroom Project.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and fund financial statements (continued)

Lighthouse Educational Assistance Program - This fund is used to account for administration of an educational facility within a drug rehabilitation center.

Lincoln Charter School - This fund is used to account for administration of monies associated with the start up and operations of the Lincoln School District which opened in 2005 and closed on June 30, 2007.

Educational Therapy Center - This fund is used to account for funds related to the administration of a public day school which provides special education and therapeutic services for behaviorally disordered and emotionally disturbed students. The Educational Therapy Center Fund includes the following funds:

Unemployment Reserve - This fund is used to accumulate resources to be used to pay for unemployment and related expenses should the Educational Therapy Center cease to exist.

Lunch Account Program - This fund is used to account for the State monies received for, and payment of, providing free and reduced priced meals.

Day Program - This fund is used to account for grant monies and local monies received for providing special education and therapeutic services to behaviorally disordered and emotionally disturbed students.

Nonmajor Special Revenue Funds

GED - This fund was established to administer the high school level test of General Educational Development.

Bus Driver Training - This fund is used to account for the issuance of school bus driver permits and to sponsor instructional training courses for school bus drivers.

Supervisory Expense - The Regional Superintendent receives an annual award of \$1,000 from the State Board of Education to pay for travel and meeting expenses.

Administrative - This fund is used to account for reimbursement from other funds for office supplies used by those funds.

Youth and Camp Success - This fund is used to account for monies to provide a positive, anti-drug environment at Lake Williamson for students in grades 6-12. The program is administered in conjunction with the Madison County Health Department.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and fund financial statements (continued)

Proprietary Fund Types

Enterprise Funds

Enterprise Funds are used to account for resources from fees charged directly to those entities or individuals that use its services. The Enterprise Fund includes the following funds:

Technology Hub Enterprise - This fund is used to account for the fees collected and related costs associated with the setup of e-mail addresses the County performs for the schools.

Workshop - This fund is used to account for workshops financed through user fees.

Institute - The Institute Fund is authorized by Section 3-12 of the School Code (105 ILCS 5/3-12). All examination, registration and renewal fees are paid into the Institute Fund, which is used to defray administrative expenses incidental to teacher's institutes, workshops, or meetings of a professional nature. All funds generated remain restricted until expended only on the aforementioned activities.

Fiduciary Fund Type

Agency Funds

Agency Funds are used to account for assets held by the Madison County Regional Office of Education #41 as an agent for other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds include the following funds:

Teacher Retirement System and Teacher Health Insurance Supplement – This fund is used to collect the retirement contributions and withholdings from all other funds to be paid to the State retirement fund.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement focus, basis of accounting, and financial statement presentation

The general accounting records for the various funds of the Regional Office of Education #41 are maintained substantially on a cash basis. Revenues are recorded when cash is received and expenditures are recorded when cash payments are made. However, the accounting principles used to present the financial statements are in conformity with generally accepted accounting principles for governmental entities.

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

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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues associated with the current fiscal period, but not received before fiscal year end are reported as deferred revenue.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds.

Proprietary fund operating revenues, such as charges for fees and services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. Regional Office of Education #41 has elected not to follow subsequent private-sector guidance.

The accounting policies and financial reporting practices of the Regional Office of Education #41 conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Data

Overall budgeting is not a legal requirement for the Regional Office of Education. Formal budgets are not adopted for all funds; therefore budgetary comparison schedules are not included in the financial statements.

The Regional Office of Education is the recipient of monies from the Illinois State Board of Education for certain accounts within the general fund and for most accounts in the education fund on which ISBE requires budgetary comparison to actual results. Comparisons of budgeted and actual results for various programs are reported as supplementary information: Technology Hub, School Improvement, Truants Alternative and Optional Education Project, Vocational Adjustment Counselor, Mathematics & Science Partnership, Regional Safe Schools, State Standards and Assessment, Title I School Improvement, Title I Reading First Technical Assistance, Title I Reading First Part B SEA Funds, Title I Reading First Part B Training Academy, and Standards Aligned Classroom.

F. Cash Flows

The Regional Office of Education considers all cash and all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

G. Capital Assets

Capital assets, equipment, are recorded in the applicable governmental or business-type activity columns in the government-wide financial statements. Expenditures for the acquisition are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The costs of capital assets are recorded as expenditures in the acquiring fund at the time of purchase and any proceeds from sales are recorded as receipts at the time of disposal in the governmental funds' statements for governmental activities.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are recorded at estimated fair value in the year received. Capital assets are defined by the Regional Office of Education #41 as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year.

The provision for depreciation on fixed assets is provided on a straight-line basis. Estimated useful lives are as follows:

Equipment	5-10 years
Office equipment	3-7 years

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Fund Equity

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Special revenue funds are reserved to finance specific functions or activities of each fund.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as they relate to governmental entities requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

J. Compensated Absences

All Regional Office employees must use their annual vacation before November 30, and an accrual for this liability as of June 30 has been provided in the government-wide financial statements.

Accumulated sick pay benefits are available to all full-time employees to use in future years, up to 480 hours. They are eligible to be compensated for these unused sick days after attaining age 55 and employed for eight years. They will be compensated upon retirement only, if terminated, their unused sick days are forfeited. Per GASB Statement 16, we used the Vesting Method to calculate the necessary accrual. Under this method, the liability is measured based on those that are eligible to receive retirement payments and those who are expected to become eligible in future years.

As required by *Government Accounting Standards Board Interpretation 6*, the accrual for unused vacation and sick time is reflected when incurred in the government-wide financial statements, and is reflected in the governmental funds only when the liability is expected to be liquidated with expendable available financial resources.

K. New Accounting Pronouncements

Effective for the year ending June 30, 2007, the Regional Office of Education adopted GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. There was no significant impact on the Regional Office of Education's financial statements as a result of adopting this statement.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2007 are classified in the financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 1,937,546
Fiduciary funds (agency funds):	
Cash and investments	<u>(6,168)</u>
Total cash and investments	<u>\$ 1,931,378</u>

Cash and investments as of June 30, 2007 consist of the following:

Petty cash	\$ 1,830
Deposits with financial institution	1,456,223
Investments	<u>473,325</u>
	<u>\$ 1,931,378</u>

Cash Deposits

At June 30, 2007, the Regional Office of Education had one depository account with the Bank of Edwardsville. The Regional Office of Education does not have a deposit policy. The account is a Money Market account with an annual interest rate of 3.87 at June 30, 2007.

Insured	\$ 100,000
Collateralized	
Collateral held by pledging bank's trust department in the Regional Office of Education's name	<u>1,356,223</u>
Total deposits	<u>\$ 1,456,223</u>

Investments

At June 30, 2007, Regional Office of Education #41 had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Associated Bank - Certificate of Deposit	7/11/2007	\$ 102,234
Associated Bank - Certificate of Deposit	9/20/2007	158,259
Premier Bank of Jacksonville - Certificate of Deposit	12/30/2007	106,416
Premier Bank of Jacksonville - Certificate of Deposit	12/30/2007	<u>106,416</u>
		<u>\$ 473,325</u>

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Regional Office of Education does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Regional Office of Education is allowed to invest in securities as authorized by Sections 2 and 6 of the Public Funds Investment Act (30 ILCS 235/2 and 6); and Section 8-7 of the School Code. The Regional Office of Education has no investment policy that would further limit its investment choices. As of June 30, 2007, the Regional Office of Education was in compliance with these guidelines.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a financial institution, the Regional Office of Education will not be able to recover its investments or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2007, \$0 of the investment balance was exposed to custodial credit risk as uninsured and uncollateralized.

Concentration of Credit Risk

The Regional Office of Education places no limit on the amount invested in any one issuer. All of the Regional Office of Education's investments are in Certificates of Deposit with Premier Bank of Jacksonville (45%) and Associated Bank (55%).

NOTE 3: CAPITAL ASSETS

The Regional Office of Education #41's management has elected to capitalize only assets individually costing \$500 or more for reporting purposes.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 3: CAPITAL ASSETS (CONTINUED)

Capital asset activity for fiscal year 2007 was as follows:

Governmental activities

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Assets being depreciated:				
Equipment	\$ 671,859	\$ 58,007	\$ (5,101)	\$ 724,765
Less Accumulated Depreciation:	\$ 423,128	\$ 76,642	\$ (2,555)	\$ 497,215
Governmental activity capital assets, net	<u>\$ 248,731</u>	<u>\$ (18,635)</u>	<u>\$ (2,546)</u>	<u>\$ 227,550</u>

Depreciation was charged to the Instructional Services activity.

Business-type activities - Enterprise Fund

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Equipment	\$ 2,500	\$ -	\$ -	\$ 2,500
Less Accumulated depreciation:	<u>769</u>	<u>500</u>	<u>-</u>	<u>1,269</u>
Business-type activity capital assets, net	<u>\$ 1,731</u>	<u>\$ (500)</u>	<u>\$ -</u>	<u>\$ 1,231</u>

NOTE 4: COMPENSATED ABSENCES

The ROE records a liability associated with compensated absences. During the fiscal year, the amount in this account decreased by \$76,980. At June 30, 2007, the balance in this account was \$103,717.

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Compensated absences	<u>\$ 180,697</u>	<u>\$ -</u>	<u>\$ 76,980</u>	<u>\$ 103,717</u>

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 5: ON-BEHALF PAYMENTS

Salaries of the Regional Superintendent and the Assistant Regional Superintendent are paid by the State of Illinois, and a significant portion of the operating expenditures of Madison County Regional Office of Education #41 are paid by Madison County, Illinois, in accordance with the statutes. The breakdown of the State and County on-behalf payments for the year ended June 30, 2007 is as follows:

Regional Superintendent Salary	\$ 75,066
Assistant Regional Superintendent Salary	79,686
Regional Superintendent Benefits (Includes State paid insurance)	11,170
Assistant Regional Superintendent Benefits (Includes State paid insurance)	18,058
Teacher Retirement System pension contributions	195,982
Salaries of Office worker's paid by County	517,055
Rent for Office Space	38,880
County share of health insurance	60,996
County retirement contributions	<u>30,399</u>
Total	<u>\$1,027,292</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.

NOTE 6: INTERFUND TRANSFERS

Following is a summary of interfund transfers for the year ended June 30, 2007:

	<u>Transferred In</u>	<u>Transferred Out</u>
Education Fund	\$ -	\$ 4,839
Special Revenue Funds		
Lincoln Charter School	4,839	
Other Non-major Funds	<u>1,088</u>	<u>1,088</u>
Total	<u>\$ 5,927</u>	<u>\$ 5,927</u>

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 7: DUE TO/FROM OTHER GOVERNMENTS

The Regional Office of Education #41's General Fund, Proprietary Fund, Agency Fund and various grant programs have funds due from and to various other governmental units which consist of the following:

Due From Other Governments:

General Fund	
Illinois State Board of Education	<u>\$ 1,865</u>
Education Fund	
Illinois State Board of Education	\$ 132,587
St Clair County ROE #50	<u>3,026</u>
	<u>\$ 135,613</u>
Educational Therapy Center Fund	
Illinois State Board of Education	<u>\$ 103</u>

Due To Other Governments:

General Fund	
Illinois State Board of Education	<u>\$ 517</u>
Education Fund	
Illinois State Board of Education	<u>\$ 13,469</u>
Enterprise Funds	
Illinois State Superintendent of Education	<u>\$ 1,999</u>
Agency Fund	
State of Illinois - TRS & THIS	<u>\$ 1,793</u>

NOTE 8: PENSION AND RETIREMENT COMMITMENTS

The Regional Office of Education participates in the Teacher's Retirement System of the State of Illinois (TRS). Members of TRS include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The Regional Office of Education's covered payroll for the year ended June 30, 2007 was \$1,849,150.

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

TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2007, was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. In addition, virtually all employers and members pay a contribution to the Teacher's Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was 0.60 percent during the year ended June 30, 2007, and the member THIS Fund health insurance contribution was 0.80 percent.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 8: PENSION AND RETIREMENT COMMITMENTS (CONTINUED)

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office's TRS-covered employees.

- **On-behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the Regional Office. For the year ended June 30, 2007, State of Illinois contributions were based on 9.78 percent of creditable earnings, and the Regional Office recognized revenues and expenditures of \$195,982 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2006 and June 30, 2005, the State of Illinois contribution rates as percentages of creditable earnings were 7.06 percent (\$140,796) and 11.76 percent (\$208,861), respectively. The state contributions to TRS for the years ended June 30, 2007 and June 30, 2006 were based on dollar amounts specified by the statute and were not actuarially determined. The state contributions for the year ended June 30, 2005 were based on an actuarial formula.

The Regional Office of Education makes other types of employer contributions directly to TRS.

- **2.2 formula contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2007 were \$10,725. Contributions for the years ending June 30, 2006, and June 30, 2005, were \$10,591 and \$9,325, respectively.
- **Federal and trust fund contributions.** When TRS members are paid from federal and trust funds administered by the Regional Office, there is a statutory requirement for the Regional Office to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and trust funds will be the same as the state contribution rate to TRS. For the year ended June 30, 2007, the employer pension contribution was 9.78 percent of salaries paid from federal and trust funds. For the year ended June 30, 2006, the employer contribution was 7.06 percent of salaries paid from federal and trust funds. For the year ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2007, salaries totaling \$109,131 were paid from federal and trust funds that required employer contributions of \$10,673. For the years ended June 30, 2006 and June 30, 2005, required Regional Office contributions were \$10,582 and \$31,185, respectively.
- **Early retirement option.** The Regional Office is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on age and salary of the member and under which ERO program the member retires. Under Public Act 94-0004, a "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired on June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007. If members do not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies for the Pipeline ERO). Under the ERO program that expired on June 30, 2005 and the Pipeline ERO, the maximum employer contribution is 100 percent of the member's highest salary used in the final average salary calculation. Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement. For the year ended June 30, 2007, the Regional Office paid \$0 to TRS for employer contributions under the Pipeline ERO and Modified ERO programs. For the years ended June 30, 2006 and June 30, 2005, the Regional Office paid \$0 and \$34,789 in employer ERO contributions, respectively.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 8: PENSION AND RETIREMENT COMMITMENTS (CONTINUED)

- **Salary increases over 6 percent and excess sick leave.** Public Act 94-0004 added two new employer contributions to TRS. If an employer grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases up to 6 percent. For the year ended June 30, 2007, the Regional Office paid \$0 to TRS for employer contributions due on salary increases in excess of 6 percent. For the year ended June 30, 2006, the Regional Office paid \$0 in employer contributions due on salary increases in excess of 6 percent. If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (17.60 percent of salary during the year ended June 30, 2007). For the year ended June 30, 2007, the Regional Office paid \$0 to TRS for sick leave days granted in the excess of the normal annual allotment. For the year ended June 30, 2006, the Regional Office paid \$0 in employer contributions granted for sick leave days.

Further information

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer, and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2006. The report for the year ended June 30, 2007 is expected to be available in late 2007. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, Illinois 62794-9253. The most current report is also available on the TRS website at www.trs.illinois.gov.

Non-certified employees are paid by, and considered employees of, county government. As such, related retirement obligations associated with these employees are the responsibility of county government.

NOTE 9: DEFICIT FUND BALANCE

At June 30, 2007, the Title I School Improvement Fund had a deficit fund balance of (\$2,130). It is expected to correct itself in future years through ordinary operations.

NOTE 10: COMMITMENTS AND CONTINGENCIES

In the normal course of operation, the Regional Office receives grant funds from various federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Significant losses are covered by the commercial insurance for all major programs: property, liability, and workman's compensation. During the year ended June 30, 2007 there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

NOTE 11: RESTATEMENT OF FUND BALANCES

Beginning fund balances for the Education Fund and the Other Non-Major Funds were restated to properly reflect the Standards Aligned Classroom fund as an education fund. As a result of this restatement, the beginning fund balance in the Education Fund increased \$2,021 and the Other Non-Major Funds decreased by \$2,021.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 12: OPERATING LEASES

Lease 1: On August 1, 2003 the Regional Office of Education entered into a lease agreement with Alton Community Unit School District No. 11 for rental of the building at 409 Main Street, Alton (Clara Barton School) for five years beginning August 1, 2003 and terminating July 31, 2008. The lease is \$20,000 annually, with semi-annual payments due in August and February of each year of the lease. Lease expense for this building for fiscal year 2007 was \$20,000.

Lease 2: On April 1, 2003 the Regional Office of Education entered into a lease agreement with Collinsville Community Unit School District No. 10 for rental of the building at Illinois Route 159 and Oran Street, Collinsville (Lanham School) for one year beginning on August 1, 2003 and terminating July 31, 2004, with an option for yearly renewals. The current lease is \$15,000 annually, with semi-annual payments due in August and February. Lease expense for this building for fiscal year 2007 was \$15,000.

Lease 3: On September 1, 1997 the Regional Office of Education entered into a lease agreement with Madison County Buildings and Lands Committee for rental of the facility at 200 Clay Street, Edwardsville (School Improvement and Technology Hub service center) for one year beginning on September 1, 1997 and terminating on August 31, 1998, with an option for yearly renewals. The current lease is \$24,000 per year, payable semi-annually. Lease expense for this facility for fiscal year 2007 was \$24,000.

Minimum future rental payments under non-cancelable leases having remaining terms in excess of 1 year as of June 30, 2007 for each of the next five years in the aggregate are:

Year Ended June 30, 2008	\$59,000
-----------------------------	----------

NOTE 13: SUBSEQUENT EVENTS

The Lincoln Charter School has closed as of June 30, 2007.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007**

The following schedules provide additional detail on balances and activities of Regional Office of Education #41 government and its operations.

Major Funds

The general fund and the education funds are comprised of various fund accounts that provide additional control and information about specific resources and expenditures of these funds. More detailed schedules of the general fund and the education fund have been provided.

Nonmajor Funds

Nonmajor governmental funds consist of all special revenue funds which are not included in the education fund. Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. Schedules have been provided for all nonmajor special revenue funds.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
GENERAL FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2007

	Technology Hub	School Improvement	Total
ASSETS			
Cash (overdrafts)	\$ (1,482)	\$ 8,223	\$ 6,741
Duc from other governments	1,865	-	1,865
Accounts receivable	20,245	-	20,245
TOTAL ASSETS	\$ 20,628	\$ 8,223	\$ 28,851
LIABILITIES AND FUND BALANCE (DEFICIT)			
LIABILITIES			
Accounts payable	\$ 13,483	\$ 3,527	\$ 17,010
Due to other governments	517	-	517
Accrued payroll	3,809	2,054	5,863
Deferred revenue	-	1,341	1,341
Total liabilities	17,809	6,922	24,731
FUND BALANCE			
Fund balance - unreserved	2,819	1,301	4,120
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 20,628	\$ 8,223	\$ 28,851

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
GENERAL FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Year Ended June 30, 2007**

	<u>Technology Hub</u>	<u>School Improvement</u>	<u>Total</u>
REVENUES			
Local revenue	\$ 20,245	\$ -	\$ 20,245
State revenue	310,183	371,820	682,003
On-behalf revenue	-	1,027,292	1,027,292
Interest	2,585	402	2,987
Total Revenues	<u>333,013</u>	<u>1,399,514</u>	<u>1,732,527</u>
EXPENDITURES			
Salaries	164,730	183,806	348,536
Benefits	30,958	32,655	63,613
Purchased services	188,141	79,362	267,503
Supplies and materials	5,013	43,740	48,753
Capital outlay	18,020	26,983	45,003
Other	-	304	304
On-behalf payments	-	1,027,292	1,027,292
Total Expenditures	<u>406,862</u>	<u>1,394,142</u>	<u>1,801,004</u>
Revenues over/(under) expenditures	(73,849)	5,372	(68,477)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(73,849)	5,372	(68,477)
Fund Balance, Beginning of year	<u>76,668</u>	<u>(4,071)</u>	<u>72,597</u>
Fund Balance, End of year	<u>\$ 2,819</u>	<u>\$ 1,301</u>	<u>\$ 4,120</u>

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND ACCOUNTS
For the Year Ended June 30, 2007

	Technology Hub			School Improvement			Total		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES									
Local revenue	\$ -	\$ 20,245	\$ 20,245	\$ -	\$ -	\$ -	\$ -	\$ 20,245	\$ 20,245
State revenue	310,183	310,183	-	371,820	371,820	-	682,003	682,003	-
Federal revenue	-	-	-	-	-	-	-	-	-
On-behalf revenue	-	-	-	-	1,027,292	1,027,292	-	1,027,292	1,027,292
Interest	-	2,585	2,585	-	402	402	-	2,987	2,987
Other	-	-	-	-	-	-	-	-	-
Total revenues	310,183	333,013	22,830	371,820	1,399,514	1,027,694	682,003	1,732,527	1,050,524
EXPENDITURES									
Salaries	165,593	164,730	863	184,000	183,806	194	349,593	348,536	1,057
Benefits	32,023	30,958	1,065	32,130	32,655	(525)	64,153	63,613	540
Purchased services	99,230	188,141	(88,911)	80,320	79,362	958	179,550	267,503	(87,953)
Supplies and materials	4,590	5,013	(423)	39,750	43,740	(3,990)	44,340	48,753	(4,413)
Capital outlay	8,747	18,020	(9,273)	35,200	26,983	8,217	43,947	45,003	(1,056)
Other	-	-	-	420	304	116	420	304	116
On-behalf payments	-	-	-	-	1,027,292	(1,027,292)	-	1,027,292	(1,027,292)
Total expenditures	310,183	406,862	(96,679)	371,820	1,394,142	(1,022,322)	682,003	1,801,004	(1,119,001)
Revenue over/(under) expenditures	\$ -	(73,849)	\$ (73,849)	\$ -	5,372	\$ 5,372	\$ -	(68,477)	\$ (68,477)
OTHER FINANCING SOURCES (USES)									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Net change in fund balances		(73,849)			5,372			(68,477)	
Fund Balance, Beginning of year		76,668			(4,071)			72,597	
Fund Balance, End of year		\$ 2,819			\$ 1,301			\$ 4,120	

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
EDUCATION FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2007

ASSETS	Truants Alternative & Optional Education Project	Vocational Adjustment Counselor	Title IV Community Service Grant	Mathematics & Science Partnership	Scientific Literacy	State		
						Abuse & Violence Prevention	Regional Safe Schools	General State Aid
Cash (overdrafts)	\$ 48	\$ 35,659	\$ 4,718	\$ 10,100	\$ 1,146	\$ 7,521	\$ 45,015	\$ 449,165
Accounts receivable	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	120,550	-	-	-	-
Total Assets	\$ 48	\$ 35,659	\$ 4,718	\$ 130,650	\$ 1,146	\$ 7,521	\$ 45,015	\$ 449,165

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ -	\$ 2,274	\$ -	\$ 51,999	\$ -	\$ -	\$ 1,162	\$ 4,126
Accrued payroll	-	2,802	-	2,434	-	-	29,960	4,413
Due to other governments	-	-	4,718	-	1,146	7,521	59	-
Deferred revenue	-	-	-	76,217	-	-	-	-
Total liabilities	-	5,076	4,718	130,650	1,146	7,521	31,181	8,539

FUND BALANCE

Fund Balance - Unreserved	48	30,583	-	-	-	-	13,834	440,626
Total Liabilities and Fund Balance (Deficit)	\$ 48	\$ 35,659	\$ 4,718	\$ 130,650	\$ 1,146	\$ 7,521	\$ 45,015	\$ 449,165

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
EDUCATION FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2007

ASSETS	Migrant Education	State Standards & Assessment	Title I School Improvement	Title I Reading Technical Assistance		Title I Reading Part B SEA	Title I Reading First Part B Training Academy	Reading Improvement Statewide	Standards Aligned Classroom	Total
				Reading Technical Assistance	Reading Part B SEA					
Cash (overdrafts)	\$ 8,000	\$ 1,837	\$ (2,130)	\$ 4,520	\$ (10,301)	\$ -	\$ -	\$ 25	\$ 3,160	\$ 558,483
Accounts receivable	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	3,026	-	-	12,037	-	-	-	-	135,613
Total Assets	\$ 8,000	\$ 4,863	\$ (2,130)	\$ 4,520	\$ 1,736	\$ -	\$ -	\$ 25	\$ 3,160	\$ 694,096

LIABILITIES AND FUND BALANCE

LIABILITIES	Accounts payable	Accrued payroll	Due to other governments	Deferred revenue	Total liabilities
	\$ -	\$ -	\$ -	\$ 311	\$ 311
	-	-	-	1,274	1,274
	-	-	-	-	-
	8,000	441	-	4,342	1,151
	8,000	441	-	4,520	1,736

FUND BALANCE

Fund Balance - Unreserved	-	4,422	(2,130)	-	-	-	-	-	2,021	489,404
Total Liabilities and Fund Balance (Deficit)	\$ 8,000	\$ 4,863	\$ (2,130)	\$ 4,520	\$ 1,736	\$ -	\$ -	\$ 25	\$ 3,160	\$ 694,096

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2007

	Truants Alternative & Optional Education Project	Vocational Adjustment Counselor	Title IV Community Service Grant	Mathematics & Science Partnership	Scientific Literacy	State Substance Abuse & Violence Prevention	Regional Safe Schools	General State Aid
REVENUES								
Local revenue	\$ -	\$ 58,718	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State revenue	61,174	13,600	-	-	-	-	376,292	243,977
Federal revenue	-	116,569	-	247,274	-	-	-	-
Interest	4	789	-	54	-	-	598	14,208
Total revenues	61,178	189,676	-	247,328	-	-	376,890	258,185
EXPENDITURES								
Salaries	50,097	143,358	-	13,214	-	-	307,587	66,646
Benefits	9,850	29,211	-	3,159	-	-	46,784	30,638
Purchased services	1,254	9,889	-	209,956	-	-	12,926	56,370
Supplies and materials	-	1,125	-	20,999	-	-	10,641	20,478
Capital Outlay	-	1,249	-	-	-	-	-	6,094
Other	-	-	-	-	-	-	-	3,112
Payments to other governmental units	-	-	-	-	-	-	-	-
Total expenditures	61,201	184,832	-	247,328	-	-	377,938	183,338
Revenue over (under) expenditures	(23)	4,844	-	-	-	-	(1,048)	74,847
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(4,839)
Total other financing sources (uses)	-	-	-	-	-	-	-	(4,839)
Net change in fund balances	(23)	4,844	-	-	-	-	(1,048)	70,008
Fund Balance (Deficit), Beginning of year - restated	71	25,739	-	-	-	-	14,882	370,618
Fund Balance (Deficit), End of year	48	30,583	-	-	-	-	13,834	440,626

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2007

	State Standards & Assessment	Title I School Improvement	Title I Reading Technical Assistance	Title I Reading Part B SEA	Title I Reading First Part B Training Academy	Reading Improvement Statewide	Standards Aligned Classroom	Total
REVENUES								
Local revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,001	\$ 59,719
State revenue	-	40,264	-	-	-	-	-	735,307
Federal revenue	-	-	29,157	99,387	7,598	-	6,000	540,591
Interest	-	39	-	53	8	-	-	15,753
Total revenues	40,303	34,606	29,157	99,440	7,606	-	7,001	1,351,370
EXPENDITURES								
Salaries	33,775	26,480	15,700	48,275	-	-	4,387	709,519
Benefits	2,857	6,583	3,193	8,176	-	-	429	140,880
Purchased services	1,101	1,238	5,332	22,752	5,553	-	192	326,563
Supplies and materials	-	-	4,932	17,644	2,053	-	1,993	79,865
Capital Outlay	-	-	-	2,593	-	-	-	9,936
Other	-	-	-	-	-	-	-	3,112
Payments to other governmental units	-	-	-	-	-	-	-	-
Total expenditures	37,733	34,301	29,157	99,440	7,606	-	7,001	1,269,875
Revenue over (under) expenditures	2,570	305	-	-	-	-	-	81,495
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(4,839)
Total other financing sources (uses)	-	-	-	-	-	-	-	(4,839)
Net change in fund balances	2,570	305	-	-	-	-	-	76,656
Fund Balance (Deficit), Beginning of year - restated	1,852	(2,435)	-	-	-	-	2,021	412,748
Fund Balance (Deficit), End of year	\$ 4,422	\$ (2,130)	\$ -	\$ -	\$ -	\$ -	\$ 2,021	\$ 489,404

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2007**

	Truants Alternative / Optional Education Project			Vocational Adjustment Counselor		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Local revenue	\$ -	\$ -	\$ -	\$ -	\$ 58,718	\$ 58,718
State revenue	61,174	61,174	-	-	13,600	13,600
Federal revenue	-	-	-	116,569	116,569	-
Interest	-	4	4	-	789	789
Total revenues	<u>61,174</u>	<u>61,178</u>	<u>4</u>	<u>116,569</u>	<u>189,676</u>	<u>73,107</u>
EXPENDITURES						
Salaries	50,090	50,097	(7)	105,424	143,358	(37,934)
Benefits	9,830	9,850	(20)	8,300	29,211	(20,911)
Purchased services	1,254	1,254	-	-	9,889	(9,889)
Supplies and materials	-	-	-	-	1,125	(1,125)
Capital Outlay	-	-	-	-	1,249	(1,249)
Other	-	-	-	2,845	-	2,845
Payments to other governmental units	-	-	-	-	-	-
Total expenditures	<u>61,174</u>	<u>61,201</u>	<u>(27)</u>	<u>116,569</u>	<u>184,832</u>	<u>(68,263)</u>
Revenue over (under) expenditures	<u>\$ -</u>	<u>(23)</u>	<u>\$ (23)</u>	<u>\$ -</u>	<u>4,844</u>	<u>\$ 4,844</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	(23)	(23)			4,844	
Fund Balance, Beginning of year	71	71			25,739	
Fund Balance, End of year	<u>\$ 48</u>	<u>\$ 48</u>			<u>\$ 30,583</u>	

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2007

	Mathematics & Science Partnership (2007)			Mathematics & Science Partnership (2006)			Variance Positive (Negative)
	Budget	Actual		Budget	Actual		
REVENUES							
Local revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State revenue	-	-	-	-	-	-	-
Federal revenue	254,617	180,293	(74,324)	162,535	84,394	66,981	(11,160)
Interest	-	54	54	-	-	-	-
Total revenues	<u>254,617</u>	<u>180,347</u>	<u>(74,270)</u>	<u>162,535</u>	<u>84,394</u>	<u>66,981</u>	<u>(11,160)</u>
EXPENDITURES							
Salaries	17,480	9,315	8,165	9,100	7,301	3,899	(2,100)
Benefits	2,654	1,099	1,555	1,500	555	2,060	(1,115)
Purchased services	216,483	156,195	60,288	140,935	73,684	53,761	13,490
Supplies and materials	18,000	13,738	4,262	11,000	2,854	7,261	885
Capital Outlay	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Payments to other governmental units	-	-	-	-	-	-	-
Total expenditures	<u>254,617</u>	<u>180,347</u>	<u>74,270</u>	<u>162,535</u>	<u>84,394</u>	<u>66,981</u>	<u>11,160</u>
Revenue over (under) expenditures	\$ -	-	\$ -	\$ -	-	-	\$ -
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-
Fund Balance, Beginning of year	-	-	-	-	-	-	-
Fund Balance, End of year	\$ -	-	-	\$ -	-	-	\$ -

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2007

	Regional Safe Schools			State Standards & Assessment		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Local revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State revenue	376,351	376,292	(59)	95,570	40,264	(55,306)
Federal revenue	-	-	-	-	-	-
Interest	-	598	598	-	39	39
Total revenues	<u>376,351</u>	<u>376,890</u>	<u>539</u>	<u>95,570</u>	<u>40,303</u>	<u>(55,267)</u>
EXPENDITURES						
Salaries	301,294	307,587	(6,293)	95,570	33,775	61,795
Benefits	51,925	46,784	5,141	-	2,857	(2,857)
Purchased services	13,132	12,926	206	-	1,101	(1,101)
Supplies and materials	10,000	10,641	(641)	-	-	-
Capital Outlay	-	-	-	-	-	-
Other	-	-	-	-	-	-
Payments to other governmental units	-	-	-	-	-	-
Total expenditures	<u>376,351</u>	<u>377,938</u>	<u>(1,587)</u>	<u>95,570</u>	<u>37,733</u>	<u>57,837</u>
Revenue over (under) expenditures	\$ -	(1,048)	\$ (1,048)	\$ -	2,570	\$ 2,570
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances		(1,048)			2,570	
Fund Balance, Beginning of year		<u>14,882</u>			<u>1,852</u>	
Fund Balance, End of year		<u>\$ 13,834</u>			<u>\$ 4,422</u>	

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2007

	Title I School Improvement			Title I -Reading First Technical Assistance		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Local revenue	\$ -	-	\$ -	\$ -	-	\$ -
State revenue	-	-	-	-	-	-
Federal revenue	61,760	34,606	(27,154)	50,000	29,157	(20,843)
Interest	-	-	-	-	-	-
Total revenues	<u>61,760</u>	<u>34,606</u>	<u>(27,154)</u>	<u>50,000</u>	<u>29,157</u>	<u>(20,843)</u>
EXPENDITURES						
Salaries	61,760	26,480	35,280	17,500	15,700	1,800
Benefits	-	6,583	(6,583)	3,273	3,193	80
Purchased services	-	1,238	(1,238)	20,800	5,332	15,468
Supplies and materials	-	-	-	8,427	4,932	3,495
Capital Outlay	-	-	-	-	-	-
Other	-	-	-	-	-	-
Payments to other governmental units	-	-	-	-	-	-
Total expenditures	<u>61,760</u>	<u>34,301</u>	<u>27,459</u>	<u>50,000</u>	<u>29,157</u>	<u>20,843</u>
Revenue over (under) expenditures	<u>\$ -</u>	<u>305</u>	<u>\$ 305</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances		305			-	
Fund Balance, Beginning of year		(2,435)			-	
Fund Balance, End of year	<u>\$ -</u>	<u>(2,130)</u>		<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2007

	Title I - Reading First Part B SEA			Title I - Reading First Part B Training Academy (2006)			
	Budget	Actual	Variance Positive (Negative)	Budget	July 1, 2005 - June 30, 2006 Actual	July 1, 2006 - June 30, 2007 Actual	Variance Positive (Negative)
REVENUES							
Local revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State revenue	-	-	-	-	-	-	-
Federal revenue	139,350	99,387	(39,963)	49,573	29,324	7,598	(12,651)
Interest	-	53	53	-	-	8	8
Total revenues	<u>139,350</u>	<u>99,440</u>	<u>(39,910)</u>	<u>49,573</u>	<u>29,324</u>	<u>7,606</u>	<u>(12,643)</u>
EXPENDITURES							
Salaries	51,967	48,275	3,692	15,000	12,190	-	2,810
Benefits	9,562	8,176	1,386	773	530	-	243
Purchased services	55,171	22,752	32,419	21,425	6,236	5,553	9,636
Supplies and materials	20,050	17,644	2,406	12,375	10,368	2,053	(46)
Capital Outlay	2,600	2,593	7	-	-	-	-
Other	-	-	-	-	-	-	-
Payments to other governmental units	-	-	-	-	-	-	-
Total expenditures	<u>139,350</u>	<u>99,440</u>	<u>39,910</u>	<u>49,573</u>	<u>29,324</u>	<u>7,606</u>	<u>12,643</u>
Revenue over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-
Fund Balance, Beginning of year	-	-	-	-	-	-	-
Fund Balance, End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 For the Year Ended June 30, 2007**

	<u>Standards Aligned Classroom</u>			<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>		<u>Positive (Negative)</u>
REVENUES				
Local revenue	-	\$ 1,001	\$	1,001
State revenue	4,000	-		(4,000)
Federal revenue	-	6,000		6,000
Interest	-	-		-
Total revenues	<u>4,000</u>	<u>7,001</u>		<u>3,001</u>
EXPENDITURES				
Salaries	-	4,387		(4,387)
Benefits	-	429		(429)
Purchased services	3,500	192		3,308
Supplies and materials	500	1,993		(1,493)
Capital Outlay	-	-		-
Other	-	-		-
Payments to other governmental units	-	-		-
Total expenditures	<u>4,000</u>	<u>7,001</u>		<u>(3,001)</u>
Revenue over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		-		
Transfers out		-		
Total other financing sources (uses)		<u>-</u>		
Net change in fund balances		<u>-</u>		
Fund Balance, Beginning of year		<u>2,021</u>		
Fund Balance, End of year		<u>\$ 2,021</u>	<u>\$</u>	<u>-</u>

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
EDUCATIONAL THERAPY CENTER FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2007

	Unemployment Reserve	Lunch Account Program	Day Program	Total
ASSETS				
Cash and investments	\$ 158,259	\$ 22,954	\$ 69,955	\$ 251,168
Accounts receivable	-	-	137,594	137,594
Due from other governments	-	103	-	103
TOTAL ASSETS	\$ 158,259	\$ 23,057	\$ 207,549	\$ 388,865
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 19,542	\$ 19,542
Due to other governments	-	-	-	-
Accrued payroll	-	-	86,754	86,754
Deferred revenue	-	-	-	-
Total liabilities	-	-	106,296	106,296
FUND BALANCE				
Fund balance - unreserved	158,259	23,057	101,253	282,569
TOTAL LIABILITIES AND FUND BALANCE	\$ 158,259	\$ 23,057	\$ 207,549	\$ 388,865

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
EDUCATIONAL THERAPY CENTER FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2007**

	<u>Unemployment Reserve</u>	<u>Lunch Account Program</u>	<u>Day Program</u>	<u>Total</u>
REVENUES				
Local revenue	\$ -	\$ 6,537	\$ 1,072,477	\$ 1,079,014
State revenue	-	1,572	-	1,572
Federal revenue	-	28,826	-	28,826
Interest	7,079	548	5,526	13,153
Total revenues	<u>7,079</u>	<u>37,483</u>	<u>1,078,003</u>	<u>1,122,565</u>
EXPENDITURES				
Salaries	-	-	1,006,209	1,006,209
Benefits	-	-	202,185	202,185
Purchased services	-	28,879	27,973	56,852
Supplies and materials	-	-	43,364	43,364
Capital outlay	-	-	-	-
Other	-	-	-	-
Payments to other governments	-	-	-	-
Total expenditures	<u>-</u>	<u>28,879</u>	<u>1,279,731</u>	<u>1,308,610</u>
Revenue over (under) expenditures	7,079	8,604	(201,728)	(186,045)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	7,079	8,604	(201,728)	(186,045)
Fund Balance, Beginning of year	<u>151,180</u>	<u>14,453</u>	<u>302,981</u>	<u>468,614</u>
Fund Balance, End of year	<u>\$ 158,259</u>	<u>\$ 23,057</u>	<u>\$ 101,253</u>	<u>\$ 282,569</u>

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2007

ASSETS	GED	Bus Driver Training	Supervisory Expense	Admini- strative
Cash and investments	\$ 17,185	\$ 5,637	\$ -	\$ 55,215
Accounts receivable	350	-	-	13,965
Due from other governments	-	-	-	-
TOTAL ASSETS	\$ 17,535	\$ 5,637	\$ -	\$ 69,180
 LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 608	\$ -	\$ -	\$ 3,939
Due to other governments	-	-	-	-
Accrued payroll	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	608	-	-	3,939
 FUND BALANCE				
Fund balance (deficit) - unreserved	16,927	5,637	-	65,241
TOTAL LIABILITIES AND FUND BALANCE	\$ 17,535	\$ 5,637	\$ -	\$ 69,180

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2007**

ASSETS	Youth and Camp Success	TOTALS
	<u> </u>	<u> </u>
Cash and investments	\$ -	\$ 78,037
Accounts receivable	-	14,315
Due from other governments	-	-
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 92,352</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ -	\$ 4,547
Due to other governments	-	-
Accrued payroll	-	-
Deferred revenue	-	-
Total liabilities	<u> </u>	<u>4,547</u>
 FUND BALANCE		
Fund balance (deficit) - unreserved	<u> </u>	<u>87,805</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ -</u>	 <u>\$ 92,352</u>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2007**

	<u>GED</u>	<u>Bus Driver Training</u>	<u>Supervisory Expense</u>	<u>Admini- strative</u>
REVENUES				
Local revenue	\$ 21,438	\$ 4,232	\$ -	\$ 70,759
State revenue	-	1,440	1,000	-
Federal revenue	-	-	-	-
Interest	594	234	14	2,855
Total revenues	<u>22,032</u>	<u>5,906</u>	<u>1,014</u>	<u>73,614</u>
EXPENDITURES				
Salaries	-	-	-	-
Benefits	1,389	255	-	-
Purchased services	13,790	6,430	1,014	86,878
Supplies and materials	5,358	234	-	5,029
Capital outlay	-	-	-	-
Other	-	-	-	2,930
Payments to other governmental units	-	-	-	-
Total expenditures	<u>20,537</u>	<u>6,919</u>	<u>1,014</u>	<u>94,837</u>
Revenue over (under) expenditures	<u>1,495</u>	<u>(1,013)</u>	<u>-</u>	<u>(21,223)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	1,088
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,088</u>
Net change in fund balances	1,495	(1,013)	-	(20,135)
Fund Balance, Beginning of year - restated	<u>15,432</u>	<u>6,650</u>	<u>-</u>	<u>85,376</u>
Fund Balance, End of year	<u>\$ 16,927</u>	<u>\$ 5,637</u>	<u>\$ -</u>	<u>\$ 65,241</u>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2007**

	Youth and Camp Success	TOTAL
REVENUES		
Local revenue	\$ -	\$ 96,429
State revenue	-	2,440
Federal revenue	-	-
Interest	129	3,826
Total revenues	129	102,695
EXPENDITURES		
Salaries	-	-
Benefits	-	1,644
Purchased services	-	108,112
Supplies and materials	-	10,621
Capital outlay	-	-
Other	-	2,930
Payments to other governmental units	-	-
Total expenditures	-	123,307
Revenue over (under) expenditures	129	(20,612)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	1,088
Transfers out	(1,088)	(1,088)
Total other financing sources (uses)	(1,088)	-
Net change in fund balances	(959)	(20,612)
Fund Balance, Beginning of year - restated	959	108,417
Fund Balance, End of year	\$ -	\$ 87,805

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
<u>TRS & THIS Fund</u>				
ASSETS				
Cash (overdraft)	\$ (6,012)	\$ 189,070	\$ 189,226	\$ (6,168)
Accounts receivable	<u>1,612</u>	<u>4,375</u>	<u>1,612</u>	<u>4,375</u>
Total assets	<u>\$ (4,400)</u>	<u>\$ 193,445</u>	<u>\$ 190,838</u>	<u>\$ (1,793)</u>
LIABILITIES				
Due to other governments	<u>\$ (4,400)</u>	<u>\$ 193,445</u>	<u>\$ 190,838</u>	<u>\$ (1,793)</u>

See notes to the financial statements and independent auditor's report.

SINGLE AUDIT SECTION

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor, Program Title & Major Program Designation	CFDA Number	Project Number	Federal Expenditures 7/1/06- 6/30/2007
U.S. DEPARTMENT OF EDUCATION			
<i>Passed through Illinois State Board of Education (ISBE):</i>			
Mathematics and Science Partnership (M)		07-4936-01	180,347
		06-4936-01	66,981
	84.366		<u>247,328</u>
Title I - Reading First Part B SEA Funds (M)		07-4337-00	99,440
Title I - Reading First Part B SEA Funds (M)		07-4337-04	29,157
Title I - Reading First Part B SEA Funds (M)		06-4337-02	7,606
	84.357		<u>136,203</u>
<i>Passed through St Clair County Regional Office of Education #50:</i>			
Title I School Improvement and Accountability		07-4331-SS	34,606
<i>Passed through Bond/Fayette/Effingham Counties Regional Office of Education #3:</i>			
Title I Standards Aligned Classroom Initiative		07-4331-00	6,000
	84.010A		<u>40,606</u>
<i>Passed through Illinois Department of Human Services (IDHS):</i>			
Vocational Adjustment Counselor	84.126	40C7001436	<u>116,569</u>
Total U.S. Department of Education			<u>\$ 540,706</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed through ISBE:</i>			
Child Nutrition Commodity / Salvage	10.550	07-4250-00	\$ 14
School Breakfast Program		07-4220-00	7,935
		06-4220-00	564
	10.553		<u>8,499</u>
National School Lunch Program		07-4210-00	18,929
		06-4210-00	1,384
	10.555		<u>20,313</u>
Total U.S. Department of Agriculture			<u>\$ 28,826</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 569,532</u>

(M) Program was audited as a major program

The accompanying notes are an integral part of this schedule.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Madison County Regional Office of Education #41 and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented on this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: SUBRECIPIENTS

There were no federal awards provided to subrecipients.

NOTE 3: DESCRIPTION OF MAJOR FEDERAL PROGRAMS

Mathematics and Science Partnership

The purpose of this grant was to target math and science teachers with content for professional development.

Title I – Reading First Part B SEA Funds

This fund is used to account for grant monies received for, and payment of, professional development in the area of reading for teachers in the Madison and Venice school districts.

NOTE 4 - NON-CASH ASSISTANCE

Madison County Regional Office of Education #41 did not receive any federal non-cash assistance.

NOTE 5 - LOANS AND INSURANCE

There were no federal awards received or disbursed by the Madison County Regional Office of Education for the purpose of loans or insurance.