

**STATE OF ILLINOIS  
MADISON COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 41**

**FINANCIAL AUDIT  
FOR THE YEAR ENDED JUNE 30, 2012**

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



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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**

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**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**

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**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
OFFICIALS**

Regional Superintendent  
(current and during the audit period)

Dr. Robert A. Daiber

Assistant Regional Superintendent  
(current and during the audit period)

Mr. Andrew Reinking

Office is located at:

157 N. Main Street, Ste 438  
Edwardsville, Illinois 62025-1966

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
FINANCIAL REPORT SUMMARY**

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

**AUDITORS' REPORTS**

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

**SUMMARY OF AUDIT FINDINGS**

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

**SCHEDULE OF FINDINGS AND RESPONSES**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<b>FINDINGS (<i>GOVERNMENT AUDITING STANDARDS</i>)</b>			
12-1	10	Controls Over Reporting Accrued Compensated Absences	Significant Deficiency
12-2	12	Application of Appropriate Accounting Principles	Significant Deficiency
12-3	13	Controls Over Capital Assets	Significant Deficiency
<b>FINDINGS AND RESPONSES (<i>FEDERAL COMPLIANCE</i>)</b>			
	16	None	
<b>PRIOR FINDINGS NOT REPEATED (<i>GOVERNMENT AUDITING STANDARDS</i>)</b>			
11-1	20	Controls Over Financial Statement Preparation	
11-2	20	Controls Over Journal Entries	
<b>PRIOR FINDINGS NOT REPEATED (<i>FEDERAL COMPLIANCE</i>)</b>			
None			

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
FINANCIAL REPORT SUMMARY (CONTINUED)**

**EXIT CONFERENCE**

The Madison County Regional Office of Education No. 41 opted not to have an exit conference during the financial audit for the year ended June 30, 2012. Responses to the recommendations were provided by Dr. Robert Daiber, Regional Superintendent, in a letter dated May 21, 2013.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying basic financial statements of the Madison County Regional Office of Education No. 41 was performed by E. C. Ortiz & Co., LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Madison County Regional Office of Education No. 41's basic financial statements.



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

## 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 Madison County Regional Office of Education No. 41, as of and for the year ended June 30, 2012, which collectively comprise the Madison County Regional Office of Education No. 41's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Madison County Regional Office of Education No. 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, 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 Madison County Regional Office of Education No. 41, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 14, 2013 on our consideration of the Madison County Regional Office of Education No. 41's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Post Employment Benefits - Schedule of Funding Progress, and the Other Post Employment Benefits Plan - Schedule of Employer Contributions on pages 21 through 28 and 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Madison County Regional Office of Education No. 41's 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

*E. C. Grij 3 B. LLP*  
Chicago, Illinois  
June 14, 2013



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

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

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison County Regional Office of Education No. 41, as of and for the year ended June 30, 2012, which collectively comprise the Madison County Regional Office of Education No. 41's basic financial statements and have issued our report thereon dated June 14, 2013. 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**

Management of the Madison County Regional Office of Education No. 41 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Madison County Regional Office of Education No. 41's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Madison County Regional Office of Education No. 41's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Madison County Regional Office of Education No. 41's internal control over financial reporting.

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

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

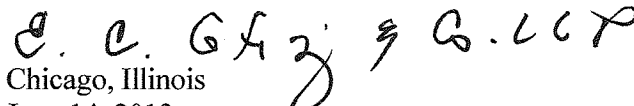
However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as items 12-1, 12-2, and 12-3 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Madison County Regional Office of Education No. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Madison County Regional Office of Education No. 41's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Madison County Regional Office of Education No. 41's responses and, accordingly, we express no opinion on the responses.

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 entity, and the Illinois State Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

  
Chicago, Illinois  
June 14, 2013

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION I - SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?        Yes   ✓   No
- Significant deficiency(ies) identified   ✓   Yes        None reported

Noncompliance material to financial statements noted?        Yes   ✓   No

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SECTION II - FINANCIAL STATEMENT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**FINDING NO. 12-1 - Controls Over Reporting Accrued Compensated Absences**

*Criteria/Specific Requirement:*

Governmental Accounting Standards Board (GASB) Statement No. 16, *Accounting for Compensated Absences*, requires that vacation leave be accrued as a liability as the benefits are earned by the employees if the leave is attributable to past service and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means such as cash payments at termination or retirement (termination payments).

Proper internal controls require management to establish appropriate procedures to ensure that accurate financial statements are presented in accordance with generally accepted accounting principles (GAAP).

Under terms of employment at the Madison County Regional Office of Education No. 41 (ROE No. 41), employees are granted vacation leave in varying amounts. Any employee, who is laid off, retires or is otherwise separated from the service of ROE No. 41, for any reason, shall receive vacation pay for all unused vacation accrued prior to separation.

*Condition:*

The ROE No. 41 did not have adequate controls in place for identifying and reporting the Regional Office's liability for accrued compensated absences. During our review of the accrued vacation schedule, we noted 8 of 52 (15%) employees were being paid by the County on behalf of ROE No. 41 and thus should not be included in the accrued vacation obligation balance reported by the ROE No. 41 as of June 30, 2012. The total accrued vacation payable balance was overstated by \$12,960.

In addition, the accrued vacation balance recorded for an employee did not match the ROE No. 41's monitoring sheet that summarizes the vacation leave balances at year-end resulting in an overstatement in the vacation leave accrual by 133.5 hours (\$2,036) as of June 30, 2012.

*Effect:*

Failure to implement adequate internal control procedures for identifying, calculating and reporting the ROE No. 41's liability for accrued compensated absences may result in misstatement of the ROE No. 41's financial statements. This could also result in incomplete and inaccurate disclosure of compensated absences liability.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SECTION II - FINANCIAL STATEMENT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**FINDING NO. 12-1 - Controls Over Reporting Accrued Compensated Absences**  
(Continued)

*Cause:*

According to ROE No. 41 management, the errors were due to oversight caused by a change in personnel. The new employee who prepared the schedule of compensated absences used a spreadsheet provided by the Madison County Payroll Department. She was unaware of the procedure to exclude employees paid out of the Madison County budget in computing accrued compensated absences for ROE No. 41 and failed to use the updated monitoring sheet prepared by the program bookkeeper for a staff member.

*Auditors' Recommendation:*

We recommend the ROE No. 41 implement adequate internal controls to ensure that financial information on vacation leave accrual is complete and accurate. If necessary, accounting and reporting guidance should be obtained from technical resources to be in conformity with GAAP. Further, monitoring and oversight procedures should be implemented on the review of employee vacation leave balances at year-end.

*Management's Response:*

ROE No. 41 will implement a plan to review the employee vacation leave balances. The Office Manager and the Administrative Assistant for Finance will review and sign off on the schedule of compensated absences to ensure the accuracy of the schedule.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SECTION II - FINANCIAL STATEMENT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**FINDING NO. 12-2 - Application of Appropriate Accounting Principles**

*Criteria/Specific Requirement:*

Generally accepted accounting principles and the significant accounting policies of Madison County Regional Office of Education No. 41 (ROE No. 41) consider cash and all highly liquid investments with an original maturity of three months or less from the date of acquisition to be cash equivalents.

*Condition:*

The ROE No. 41 did not properly apply appropriate generally accepted accounting principles (GAAP) in recording cash balances on the preliminary trial balance. The ROE No. 41 has six (6) checking accounts held in a bank as of June 30, 2012 that were classified as investments on the trial balance, totaling \$705,313. Upon auditors' notification, an adjustment was made to properly classify the assets.

*Effect:*

Failure to use the appropriate generally accepted accounting principles may result in inaccurate and incomplete financial statements.

*Cause:*

According to the ROE No. 41 management, the improper classification was due to oversight. In the past, the ROE had purchased certificates of deposit which were classified as investments in the general ledger. When these certificates of deposit matured, the money was rolled over by establishing a premier checking account at the bank. The trial balance was not adjusted to reclassify the accounts when the change took place.

*Auditors' Recommendation:*

We recommend the ROE No. 41 establish procedures to ensure that transactions are properly reported in accordance with generally accepted accounting principles. If necessary, accounting and reporting guidance should be obtained from technical resources to be in conformity with GAAP.

*Management's Response:*

ROE No. 41 has added account codes to the accounting program that will enable management to track all bank accounts as either cash account in bank or investments.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SECTION II - FINANCIAL STATEMENT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**FINDING NO. 12-3 - Controls Over Capital Assets**

*Criteria/Specific Requirement:*

The Illinois Administrative Code (74 Ill. Adm. Code 420.320 (c) (1) and (2)) requires that each Regional Office of Education (ROE) maintain the accounting records necessary to prepare financial statements in accordance with generally accepted accounting principles (GAAP). In addition, Appendix B. Fixed Asset Accounting of the Illinois Program Accounting Manual (IPAM) and GAAP also require that capital assets be reported based on the invoiced cost plus any applicable ancillary charges necessary to make the capital asset ready for its intended use. Ancillary charges are costs that are directly related to asset acquisition, which include, among others, installation and freight charges.

In addition, the State and Federal Grant Administration Policy and Fiscal Requirements and Procedures issued by the Illinois State Board of Education dictate procedures for managing equipment acquired with State and/or federal funds. These include procedures to ensure, among others, that (1) adequate records are maintained for all equipment, (2) dispositions or transfers are authorized in writing and that the transfers are recorded in the fixed assets inventory records, and (3) a physical inventory of the property must be taken and the results reconciled with the property records at least once every two years to verify the existence, current utilization, and continued need for the property.

The ROE Accounting Manual requires each ROE to maintain a detailed fixed assets record for both accounting purposes as well as insurance purposes for fixed assets costing \$500 and above. Generally accepted accounting principles require that an inventory of all fixed assets be maintained and property records be updated to reflect all existing items as of year-end.

*Condition:*

The Madison County Regional Office of Education No. 41 (ROE No. 41) did not have adequate controls over its capital assets. During our equipment testing, we noted the following:

- The ROE No. 41 did not properly record 1 of 8 (13%) property additions reviewed. Computer equipment with net acquisition cost of \$5,529 was recorded for \$5,299 which excluded the cost of shipping and handling of \$230.
- Two of 28 (7%) capital assets tested in the Technology Hub Office were not tagged. The assets were a laptop and a server costing \$1,445 and \$3,778, respectively.



**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SECTION II - FINANCIAL STATEMENT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**FINDING NO. 12-3 - Controls Over Capital Assets (Continued)**

- A proper equipment transfer form was not used to document the transfer of a server valued at \$11,372 to a school district. Further, the capital asset subsidiary ledger was not updated to reflect the transfer in October 2007.
- Capital asset disposal/transfer forms for 16 of 16 (100%) disposed capital assets tested were not signed or approved by the appropriate personnel.
- An annual physical inventory of the ROE's capital assets was not conducted for fiscal year 2012.

*Effect:*

The absence of an effective system of internal controls over capital assets can result in inaccurate reporting. In addition, transactions were not recorded in accordance with GAAP, IPAM and the ROE Accounting Manual. Further, an inaccurate capital assets listing does not provide an adequate basis for physical control and losses may occur and not be timely detected.

*Cause:*

According to the ROE No. 41 management,

- There was an oversight by the person in charge of updating the fixed asset list when the information for the net item was entered. The document used to obtain the cost of the equipment did not include shipping and handling.
- The asset tags were provided to the program director. Since there were county tags on the equipment, the program director did not use the ROE tag provided.
- The document to transfer the equipment was completed, but due to an oversight it was not sent to the person who maintains the fixed asset report.
- After the disposal forms were prepared, the person who prepared these documents did not submit them to the person who maintains the fixed asset report.
- The fixed asset list was provided, but because of an oversight, the program director did not complete a physical inventory.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SECTION II - FINANCIAL STATEMENT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**FINDING NO. 12-3 - Controls Over Capital Assets (Continued)**

*Auditors' Recommendation:*

We recommend ROE No. 41 establish and implement policies and procedures to address controls on periodic physical inventory, capital assets tagging, recording of acquisitions and disposals, and documentation of capital assets removed from inventory.

*Management's Response:*

ROE No. 41 has established and implemented policies and procedures to address controls on periodic physical inventory, capital assets tagging, recording of acquisitions and disposals, and documentation of capital assets removed from inventory. Staff members in the various departments are documenting capital assets' activities and those lists are being used to reconcile the fixed asset report to the inventory counts and the general ledger. Two staff members will review and sign off on the report to help ensure the accuracy of capital assets.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION III - FEDERAL AWARD FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

**INSTANCE OF NONCOMPLIANCE:**

None

**SIGNIFICANT DEFICIENCY:**

None

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

**FINDING NO. 12-1 - Controls Over Reporting Accrued Compensated Absences**

*Condition:*

The ROE No. 41 did not have adequate controls in place for identifying and reporting the Regional Office's liability for accrued compensated absences. During our review of the accrued vacation schedule, we noted 8 of 52 (15%) employees were being paid by the County on behalf of ROE No. 41 and thus should not be included in the accrued vacation obligation balance reported by the ROE No. 41 as of June 30, 2012. The total accrued vacation payable balance was overstated by \$12,960.

In addition, the accrued vacation balance recorded for an employee did not match the ROE No. 41's monitoring sheet that summarizes the vacation leave balances at year-end resulting in an overstatement in the vacation leave accrual by 133.5 hours (\$2,036) as of June 30, 2012.

*Plan:*

ROE No. 41 will implement a plan to review the employee vacation leave balances. The Office Manager and the Administrative Assistant for Finance will review and sign off on the schedule of compensated absences to ensure the accuracy of the schedule.

*Anticipated Date of Completion:*

June 30, 2013

*Name of Contact Person:*

Dennis Brueggemann, Administrative Assistant for Finance

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

**FINDING NO. 12-2 - Application of Appropriate Accounting Principles**

*Condition:*

The ROE No. 41 did not properly apply appropriate generally accepted accounting principles (GAAP) in recording cash balances on the preliminary trial balance. The ROE No. 41 has six (6) checking accounts held in a bank as of June 30, 2012 that were classified as investments on the trial balance, totaling \$705,313. Upon auditors' notification, an adjustment was made to properly classify the assets.

*Plan:*

ROE No. 41 has added account codes to the accounting program that will enable management to track all bank accounts as either cash account in bank or investments.

*Anticipated Date of Completion:*

Completed

*Name of Contact Person:*

Dennis Brueggemann, Administrative Assistant for Finance

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

**FINDING NO. 12-3 - Controls Over Capital Assets**

*Condition:*

The Madison County Regional Office of Education No. 41 (ROE No. 41) did not have adequate controls over its capital assets. During our equipment testing, we noted the following:

- The ROE No. 41 did not properly record 1 of 8 (13%) property additions reviewed. Computer equipment with net acquisition cost of \$5,529 was recorded for \$5,299 which excluded the cost of shipping and handling of \$230.
- Two of 28 (7%) capital assets tested in the Technology Hub Office were not tagged. The assets were a laptop and a server costing \$1,445 and \$3,778, respectively.
- A proper equipment transfer form was not used to document the transfer of a server valued at \$11,372 to a school district. Further, the capital asset subsidiary ledger was not updated to reflect the transfer in October 2007.
- Capital asset disposal/transfer forms for 16 of 16 (100%) disposed capital assets tested were not signed or approved by the appropriate personnel.
- An annual physical inventory of the ROE's capital assets was not conducted for fiscal year 2012.

*Plan:*

ROE No. 41 has established and implemented policies and procedures to address controls on periodic physical inventory, capital assets tagging, recording of acquisitions and disposals, and documentation of capital assets removed from inventory. Staff members in the various departments are documenting capital assets' activities and those lists are being used to reconcile the fixed asset report to the inventory counts and the general ledger. Two staff members will review and sign off on the report to help ensure the accuracy of capital assets.

*Anticipated Date of Completion:*

June 30, 2013

*Name of Contact Person:*

Andrew Reinking, Assistant Superintendent

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2012**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
11-1	Controls Over Financial Statement Preparation	Not Repeated
11-2	Controls Over Journal Entries	Not Repeated

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

As management of Madison County Regional Office of Education No. 41 (ROE No. 41), we offer readers a review of our financial statements and an analysis of the financial activities of the ROE No. 41 for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with ROE No. 41's financial statements, which follow this section.

**2012 Financial Highlights**

- The assets of the ROE No. 41 exceeded its liabilities by \$2,297,502 (total net assets). The total net assets decreased by \$290,853 or 11.2%.
- Total revenues of ROE No. 41 during FY 2012 did not significantly change in comparison to prior year. Total revenues decreased by \$244,716 or 5.4%.
- Total expenses of ROE No. 41 increased by \$258,602 or 6.0% due mostly to the addition of the Tech Hub ICCP Cloud program.

**Overview of the Financial Statement**

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

- *Management's Discussion and Analysis* introduces financial statements and provides an analytical overview of the ROE No. 41's financial activities.
- The *Government-wide financial statements* consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the ROE No. 41 as a whole and present an overall view of the ROE No. 41's finances.
- *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 the ROE No. 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.
- *Required supplementary information* further explains and supports the financial statements, and other supplementary information includes combining financial statements and budgetary information for certain General Fund accounts, Education Fund accounts, and other nonmajor funds.



**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**The Statement of Net Assets and the Statement of Activities**

The government-wide financial statements are designed to provide readers with a broad overview of ROE No. 41's finances, in a manner similar to private-sector businesses.

The Statement of Net Assets presents information on all of ROE No. 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 No. 41 is improving or deteriorating.

The Statement of Activities presents information showing how ROE No. 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 No. 41's activities are divided into two categories:

- *Governmental activities:* Most of ROE No. 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 No. 41 charges fees to help cover the costs of certain services it provides, such as workshops, conferences and teacher certification.

**Fund Financial Statements**

The fund financial statements provide detailed information about ROE No. 41's funds, focusing on its most significant or "major" funds, not ROE No. 41 as a whole. Funds are accounting devices ROE No. 41 uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law. ROE No. 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 No. 41 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds account for most of ROE No. 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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

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 doing so, 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.

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.

Proprietary Funds. ROE No. 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 No. 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 Fees, Technology Hub ICCP Cloud, Workshop and ROE Administrative 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.

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 No. 41's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of financial position. ROE No. 41's net assets at the end of FY 2012 and FY 2011 totaled \$2,297,502 and \$2,588,355, respectively. The analysis that follows provides a summary of the ROE No. 41's net assets as of June 30.

**CONDENSED STATEMENT OF NET ASSETS**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>						
Current assets	\$2,046,954	\$2,337,188	\$ 603,530	\$ 621,848	\$2,650,484	\$2,959,036
Capital assets, net of depreciation	85,848	96,541	4,273	8,390	90,121	104,931
<b>TOTAL ASSETS</b>	<b>2,132,802</b>	<b>2,433,729</b>	<b>607,803</b>	<b>630,238</b>	<b>2,740,605</b>	<b>3,063,967</b>
Current liabilities	226,814	317,313	5,500	6,756	232,314	324,069
Noncurrent liabilities	210,789	151,543	-	-	210,789	151,543
<b>TOTAL LIABILITIES</b>	<b>437,603</b>	<b>468,856</b>	<b>5,500</b>	<b>6,756</b>	<b>443,103</b>	<b>475,612</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	85,848	96,541	4,273	8,390	90,121	104,931
Restricted for educational purposes	477,037	493,786	-	-	477,037	493,786
Unrestricted	1,132,314	1,374,546	598,030	615,092	1,730,344	1,989,638
<b>TOTAL NET ASSETS</b>	<b>\$1,695,199</b>	<b>\$1,964,873</b>	<b>\$ 602,303</b>	<b>\$ 623,482</b>	<b>\$2,297,502</b>	<b>\$2,588,355</b>

For FY 2012, total assets which is comprised mostly of cash and receivables, decreased by \$323,362 and total liabilities decreased by \$32,509. Both changes were due in large part to the timing of grant receipts and payment of grant-related liabilities.

As indicated above, ROE No. 41 reported positive net assets for both the governmental and business-type activities. The assets of ROE No. 41 exceeded its liabilities at the close of the year by \$2,297,502 (net assets). The investment in net capital assets was \$90,121 at the end of fiscal year 2012. ROE No. 41 uses these capital assets in providing services to its citizens, consequently, these assets are not available for future spending. In addition, net assets related to educational grants and contracts are considered restricted for educational purposes.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**CHANGES IN NET ASSETS**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Revenues:						
Program revenues:						
Charges for services	\$ 1,721,973	\$ 1,267,836	\$ 559,041	\$ 316,691	\$ 2,281,014	\$ 1,584,527
Operating grants and contributions	882,821	1,650,253	-	-	882,821	1,650,253
Capital grants and contributions	32,543	-	-	-	32,543	-
General revenues:						
Interest income	16,020	20,342	4,705	5,548	20,725	25,890
On-behalf payments - State	500,342	573,359	-	-	500,342	573,359
On-behalf payments - local	589,748	717,880	-	-	589,748	717,880
Total revenues	<u>3,743,447</u>	<u>4,229,670</u>	<u>563,746</u>	<u>322,239</u>	<u>4,307,193</u>	<u>4,551,909</u>
Expenses:						
Salaries and benefits	1,825,368	1,932,601	72,933	87,101	1,898,301	2,019,702
Purchased services	772,872	561,522	499,672	99,069	1,272,544	660,591
Supplies and materials	82,437	95,937	17,838	25,467	100,275	121,404
Capital expenditures	-	39,550	-	-	-	39,550
Depreciation	41,589	77,050	4,117	4,106	45,706	81,156
Payments to other governments	177,462	113,810	-	-	177,462	113,810
Miscellaneous	8,759	7,083	-	-	8,759	7,083
On-behalf payments - State	500,342	573,359	-	-	500,342	573,359
On-behalf payments - local	589,748	717,880	-	-	589,748	717,880
Total expenses	<u>3,998,577</u>	<u>4,118,792</u>	<u>594,560</u>	<u>215,743</u>	<u>4,593,137</u>	<u>4,334,535</u>
Income before other financing sources (uses)	(255,130)	110,878	(30,814)	106,496	(285,944)	217,374
Other financing sources (uses)						
Loss on disposal of assets	(4,909)	-	-	-	(4,909)	-
Transfers in (out)	(9,635)	(28,908)	9,635	28,908	-	-
Change in net assets	(269,674)	81,970	(21,179)	135,404	(290,853)	217,374
Net assets, beginning	<u>1,964,873</u>	<u>1,882,903</u>	<u>623,482</u>	<u>488,078</u>	<u>2,588,355</u>	<u>2,370,981</u>
Net assets, ending	<u>\$ 1,695,199</u>	<u>\$ 1,964,873</u>	<u>\$ 602,303</u>	<u>\$ 623,482</u>	<u>\$ 2,297,502</u>	<u>\$ 2,588,355</u>

**Governmental Activities**

Total revenues for governmental activities decreased by \$486,223 or 11.5% in FY 2012. This is due to a decrease in program revenues by \$280,752 or 9.6% from \$2,918,089 in FY 2011 to \$2,637,337 in FY 2012 and a decrease in on-behalf payments by \$201,149 or 15.6% from \$1,291,239 in FY 2011 to \$1,090,090 in FY 2012.

Total expenditures for governmental activities decreased by \$120,215 or 2.9% in FY 2012. This is mainly due to the decrease in on-behalf payments.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
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**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 No. 41. The major increases in total revenues and total expenditures are due to the addition of the Tech Hub ICCP Cloud program in FY 2012.

**Financial Analysis of the ROE No. 41 Funds**

As previously noted, ROE No. 41 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund Highlights**

The ROE No. 41's governmental funds reported combined fund balances of \$1,815,402. This is a decrease of \$67,996 or 3.6% from last year's ending fund balance of \$1,883,398. The change in governmental funds is largely attributed to the reduction in revenues received from the State of Illinois in FY 2012 as compared to FY 2011.

**Proprietary Fund Highlights**

The proprietary fund net assets decreased by \$21,179 or 3.4% from \$623,482 at June 30, 2011 to \$602,303 at June 30, 2012. Most of this decrease is mainly due to net revenues generated from decrease in workshops and trainings conducted during FY 2012.

**Budgetary Highlights**

Presenting an overall budget is not a legal requirement of ROE No. 41. Formal budgets are not adopted for all funds; therefore budgetary comparison statements are not included in the financial statements.

ROE No. 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 is presented as supplementary information.

**Capital Assets**

At June 30, 2012, the ROE No. 41 had invested \$90,121, net of accumulated depreciation, in computers, audio-visual equipment, and other office equipment. This is a net decrease of \$14,810 from last year. This decrease represents depreciation of \$45,706, equipment additions of \$35,805 and loss on disposal of equipment of \$4,909.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

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

**Economic Factors and Next Years' 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 No. 41 has experience a decrease in the number of students being served by its school based programs. A slight decrease in enrollment is expected at the Lighthouse Education Assistance Program and the Educational Therapy Center (ETC) for the upcoming year based on enrollments from local school districts.
- The General State Aid entitlement for FY 2013 is lower than the one for FY 2012. The decrease is due to lower appropriated entitlement by the State. If there continues to be stable Safe School enrollment and the State of Illinois continues to prorate the entitlement, this trend may continue.
- The ROE No. 41 anticipates a decrease in revenue and corresponding expenditures in the Regional Safe School Program, the Truants Alternative Program, and the School Improvement Program. Further decreases in revenue will result from the loss of or reduction in other State grants. These decreases will be a result of a decrease in State funding due to the State of Illinois' financial condition.
- The ROE No. 41 is expecting a reduction in expenditures for FY 2013 due to the retirement of experienced employees at the end of FY 2012. There will be further employee retirements at the end of FY 2013.
- The ROE No. 41 anticipates a revenue increase in the Bus Driver Training Fund since the fee collected by the ROE increased by 33% on July 1, 2012. This is the second step of a three step phased-in increase following the 50% increase on January 1, 2011.
- The ROE No. 41 also anticipates a stable revenue source in the GED Testing Fund for FY 2013. Due to rate increase for computer-based testing, the rate is expected to increase in FY 2014.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**Contacting the Regional Office's Financial Management**

The financial report is designed to provide the ROE No. 41's citizens, taxpayers, customers, and constituents with a general overview of the ROE No. 41's finances and to demonstrate the ROE No. 41's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Director 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 NO. 41**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

**EXHIBIT A**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,816,746	\$ 602,240	\$ 2,418,986
Due from other governments	230,208	1,290	231,498
Total current assets	<u>2,046,954</u>	<u>603,530</u>	<u>2,650,484</u>
Noncurrent assets:			
Capital assets, net	85,848	4,273	90,121
<b>TOTAL ASSETS</b>	<u>2,132,802</u>	<u>607,803</u>	<u>2,740,605</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	168,259	5,500	173,759
Due to other governments	58,555	-	58,555
Total current liabilities	<u>226,814</u>	<u>5,500</u>	<u>232,314</u>
Noncurrent liabilities:			
Compensated absences	43,432	-	43,432
Net OPEB obligation	167,357	-	167,357
Total noncurrent liabilities	<u>210,789</u>	<u>-</u>	<u>210,789</u>
<b>TOTAL LIABILITIES</b>	<u>437,603</u>	<u>5,500</u>	<u>443,103</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	85,848	4,273	90,121
Restricted for educational purposes	477,037	-	477,037
Unrestricted	1,132,314	598,030	1,730,344
<b>TOTAL NET ASSETS</b>	<u>\$ 1,695,199</u>	<u>\$ 602,303</u>	<u>\$ 2,297,502</u>

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

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2012

EXHIBIT B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>FUNCTIONS/PROGRAMS</b>							
<b>Primary government</b>							
<b>Governmental activities:</b>							
<b>Instructional services</b>							
Salaries	\$ 1,505,640	\$ 911,803	\$ 472,212	\$ -	\$ (121,625)	\$ -	\$ (121,625)
Benefits	319,728	157,746	81,695	-	(80,287)	-	(80,287)
Purchased services	772,872	468,045	242,395	-	(62,432)	-	(62,432)
Supplies and materials	82,437	49,923	25,855	-	(6,659)	-	(6,659)
Capital expenditures	-	21,683	2,260	32,543	56,486	-	56,486
Miscellaneous	8,759	5,304	2,747	-	(708)	-	(708)
Payments to governmental units	177,462	107,469	55,657	-	(14,336)	-	(14,336)
Depreciation	41,589	-	-	-	(41,589)	-	(41,589)
<b>Administrative</b>							
On-behalf payments - State	500,342	-	-	-	(500,342)	-	(500,342)
On-behalf payments - local	589,748	-	-	-	(589,748)	-	(589,748)
<b>Total governmental activities</b>	<b>3,998,577</b>	<b>1,721,973</b>	<b>882,821</b>	<b>32,543</b>	<b>(1,361,240)</b>	<b>-</b>	<b>(1,361,240)</b>
<b>Business-type activities:</b>							
Professional development	594,560	559,041	-	-	-	(35,519)	(35,519)
<b>Total business-type activities</b>	<b>594,560</b>	<b>559,041</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(35,519)</b>	<b>(35,519)</b>
<b>Total primary government</b>	<b>\$ 4,593,137</b>	<b>\$ 2,281,014</b>	<b>\$ 882,821</b>	<b>\$ 32,543</b>	<b>(1,361,240)</b>	<b>(35,519)</b>	<b>(1,396,759)</b>
General revenues:							
Interest					16,020	4,705	20,725
On-behalf payments - State					500,342	-	500,342
On-behalf payments - local					589,748	-	589,748
Transfers					(9,635)	9,635	-
Loss on disposal					(4,909)	-	(4,909)
Total general revenues and transfers					1,091,566	14,340	1,105,906
Change in net assets					(269,674)	(21,179)	(290,853)
Net assets - beginning					1,964,873	623,482	2,588,355
Net assets - ending					\$ 1,695,199	\$ 602,303	\$ 2,297,502

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2012**

**EXHIBIT C**

	<u>General Fund</u>	<u>Education Fund</u>	<u>Institute Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,360,451	\$ 52,846	\$ 304,523	\$ 98,926	\$ 1,816,746
Due from other funds	56,551	-	-	-	56,551
Due from other governments	32,533	164,355	31,464	1,856	230,208
<b>TOTAL ASSETS</b>	<u>1,449,535</u>	<u>217,201</u>	<u>335,987</u>	<u>100,782</u>	<u>2,103,505</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	106,396	61,761	-	102	168,259
Due to other funds	-	56,551	-	-	56,551
Due to other governments	-	57,306	1,249	-	58,555
Deferred revenues	-	3,125	-	1,613	4,738
Total liabilities	<u>106,396</u>	<u>178,743</u>	<u>1,249</u>	<u>1,715</u>	<u>288,103</u>
<b>FUND BALANCES</b>					
Restricted	36	38,458	334,738	99,067	472,299
Assigned	948,686	-	-	-	948,686
Unassigned	394,417	-	-	-	394,417
Total fund balances	<u>1,343,139</u>	<u>38,458</u>	<u>334,738</u>	<u>99,067</u>	<u>1,815,402</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,449,535</u>	<u>\$ 217,201</u>	<u>\$ 335,987</u>	<u>\$ 100,782</u>	<u>\$ 2,103,505</u>

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012**

**EXHIBIT D**

Total fund balances - governmental funds	\$ 1,815,402
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.	85,848
Because some revenues will not be collected for several months after the Regional Office fiscal year ends, they are not considered “available” revenues and are deferred in the governmental funds	4,738
Long-term liabilities such as compensated absences are not due and payable in the current period and therefore, are not reported in the funds.	(43,432)
The OPEB obligation resulting from annual required contributions in excess of actual contributions are not due and payable in the current period and therefore, are not reported in the funds.	<u>(167,357)</u>
Net assets of governmental activities	<u><u>\$ 1,695,199</u></u>

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012**

**EXHIBIT E**

	<b>General Fund</b>	<b>Education Fund</b>	<b>Institute Fund</b>	<b>Nonmajor Special Revenue Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Federal sources	\$ -	\$ 634,775	\$ -	\$ 21,880	\$ 656,655
State sources	219,721	811,105	-	3,011	1,033,837
Local sources	877,229	87,570	72,385	41,400	1,078,584
On-behalf payments - State	500,342	-	-	-	500,342
On-behalf payments - local	589,748	-	-	-	589,748
Total revenues	<u>2,187,040</u>	<u>1,533,450</u>	<u>72,385</u>	<u>66,291</u>	<u>3,859,166</u>
<b>EXPENDITURES</b>					
Instructional services					
Salaries	931,347	574,293	-	-	1,505,640
Benefits	165,552	94,829	-	101	260,482
Purchased services	156,284	566,164	8,017	42,407	772,872
Supplies and materials	32,980	43,203	-	6,254	82,437
Payments to governmental units	31	170,000	7,431	-	177,462
Miscellaneous	4,307	3,952	-	500	8,759
On-behalf payments - State	500,342	-	-	-	500,342
On-behalf payments - local	589,748	-	-	-	589,748
Capital expenditures	1,677	34,128	-	-	35,805
Total expenditures	<u>2,382,268</u>	<u>1,486,569</u>	<u>15,448</u>	<u>49,262</u>	<u>3,933,547</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(195,228)	46,881	56,937	17,029	(74,381)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	-	(9,635)	-	-	(9,635)
Interest income	12,278	388	2,884	470	16,020
Total other financing sources (uses)	<u>12,278</u>	<u>(9,247)</u>	<u>2,884</u>	<u>470</u>	<u>6,385</u>
<b>NET CHANGE IN FUND BALANCES</b>	(182,950)	37,634	59,821	17,499	(67,996)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>1,526,089</u>	<u>824</u>	<u>274,917</u>	<u>81,568</u>	<u>1,883,398</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 1,343,139</u>	<u>\$ 38,458</u>	<u>\$ 334,738</u>	<u>\$ 99,067</u>	<u>\$ 1,815,402</u>

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 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, 2012**

**EXHIBIT F**

Net change in fund balances \$ (67,996)

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	\$ 35,805	
Depreciation expense	<u>(41,589)</u>	(5,784)

Governmental funds only report the proceeds from asset disposals as revenues when received, whereas the Statement of Activities will reduce the proceeds by the book value of the assets disposed exceeded the proceeds. (4,909)

Revenues reported in the Statement of Activities in the prior year that did not provide current financial resources are not reported as revenues in the governmental funds (136,477)

Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds 4,738

Certain expenses in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. (3,822)

The increase in the OPEB obligation resulting from annual required contributions in excess of actual contributions do not require the use of current financial resources and therefore, is not reported as expenditures in governmental funds. (55,424)

Change in net assets of governmental activities \$ (269,674)

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

**EXHIBIT G**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Total</b>
	<b>Technology Hub Fees</b>	<b>Tech Hub ICCP Cloud</b>	<b>Workshop</b>	<b>Nonmajor Enterprise Fund</b>	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 279,656	\$ -	\$ 263,602	\$ 58,982	\$ 602,240
Due from other governments	550	-	740	-	1,290
Total current assets	<u>280,206</u>	<u>-</u>	<u>264,342</u>	<u>58,982</u>	<u>603,530</u>
Noncurrent assets:					
Capital assets, net	3,840	-	433	-	4,273
<b>TOTAL ASSETS</b>	<u>284,046</u>	<u>-</u>	<u>264,775</u>	<u>58,982</u>	<u>607,803</u>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	3,495	-	2,005	-	5,500
<b>TOTAL LIABILITIES</b>	<u>3,495</u>	<u>-</u>	<u>2,005</u>	<u>-</u>	<u>5,500</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	3,840	-	433	-	4,273
Unrestricted	276,711	-	262,337	58,982	598,030
<b>TOTAL NET ASSETS</b>	<u>\$ 280,551</u>	<u>\$ -</u>	<u>\$ 262,770</u>	<u>\$ 58,982</u>	<u>\$ 602,303</u>

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

## PROPRIETARY FUNDS

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

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds				Total
	Technology Hub Fees	Tech Hub ICCP Cloud	Workshop	Nonmajor Enterprise Fund	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 30,502	\$ 419,000	\$ 94,251	\$ 15,288	\$ 559,041
<b>OPERATING EXPENSES</b>					
Salaries	33,746	-	28,410	-	62,156
Benefits	3,768	-	7,009	-	10,777
Purchased services	9,769	416,021	62,020	11,862	499,672
Supplies and materials	779	-	17,059	-	17,838
Depreciation	3,965	-	152	-	4,117
Total operating expenses	52,027	416,021	114,650	11,862	594,560
<b>OPERATING INCOME (LOSSES)</b>	(21,525)	2,979	(20,399)	3,426	(35,519)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Transfers in (out)	-	(2,979)	-	12,614	9,635
Interest income	1,564	-	3,008	133	4,705
Total nonoperating revenues (expenses)	1,564	(2,979)	3,008	12,747	14,340
<b>CHANGE IN NET ASSETS</b>	(19,961)	-	(17,391)	16,173	(21,179)
<b>NET ASSETS, BEGINNING OF YEAR</b>	300,512	-	280,161	42,809	623,482
<b>NET ASSETS, END OF YEAR</b>	\$ 280,551	\$ -	\$ 262,770	\$ 58,982	\$ 602,303

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



**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2012**

**EXHIBIT I**

	<b>Business-Type Activities - Enterprise Funds</b>				
	<b>Technology Hub Fees</b>	<b>Tech Hub ICCP Cloud</b>	<b>Workshop</b>	<b>Nonmajor Enterprise Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts for workshops and services	\$ 41,357	\$ 419,000	\$ 102,156	\$ 15,288	\$ 577,801
Payments to suppliers and providers of goods and services	(9,784)	(416,021)	(80,273)	(12,688)	(518,766)
Payments to employees	(37,514)	-	(35,419)	-	(72,933)
Net cash provided by (used in) operating activities	(5,941)	2,979	(13,536)	2,600	(13,898)
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>					
Cash transfers from (to) other funds	-	(2,979)	-	12,614	9,635
Net cash provided by (used in) noncapital financing activities	-	(2,979)	-	12,614	9,635
<b>CASH FLOWS FROM INVESTING ACTIVITY:</b>					
Interest	1,564	-	3,008	133	4,705
Net cash provided by investing activity	1,564	-	3,008	133	4,705
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT</b>	<b>(4,377)</b>	<b>-</b>	<b>(10,528)</b>	<b>15,347</b>	<b>442</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>284,033</b>	<b>-</b>	<b>274,130</b>	<b>43,635</b>	<b>601,798</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 279,656</b>	<b>\$ -</b>	<b>\$ 263,602</b>	<b>\$ 58,982</b>	<b>\$ 602,240</b>
<b>Reconciliation of operating income (losses) to net cash provided by (used in) operating activities:</b>					
Operating income (losses)	\$ (21,525)	\$ 2,979	\$ (20,399)	\$ 3,426	\$ (35,519)
Adjustments to reconcile operating income (losses) to net cash provided by (used in) operating activities:					
Depreciation	3,965	-	152	-	4,117
Effects of changes in assets and liabilities:					
Due from other governments	10,855	-	7,905	-	18,760
Accounts payable and accrued expenses	764	-	(1,194)	(826)	(1,256)
Net cash provided by (used in) operating activities	\$ (5,941)	\$ 2,979	\$ (13,536)	\$ 2,600	\$ (13,898)

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2012**

**EXHIBIT J**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,199
Accounts receivable	<u>192</u>
<b>TOTAL ASSETS</b>	<u><u>3,391</u></u>
 <b>LIABILITIES</b>	
Accounts payable and accrued expenses	<u>3,391</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 3,391</u></u>

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies of the Madison County Regional Office of Education No. 41 (ROE No. 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 (GAAP) in the United States of America. These principles have been consistently applied in the preparation of the financial statements.

A. Reporting Entity

The ROE No. 41 was formed under the provisions of the State of Illinois, Illinois State Board of Education (ISBE).

The Regional Superintendent is responsible for supervision and control of school districts within Madison County. 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 the 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 ROE No. 41; 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 ROE No. 41'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.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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 ISBE with an affidavit showing that the treasurers of school districts under his control are properly bonded.

The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in Madison County, 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, 2012, the ROE No. 41 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 Madison County. Such activities are reported in the General Fund and Special Revenue Funds.

**B. Scope of the Reporting Entity**

The ROE No. 41 reporting entity includes all related organizations for which they exercise oversight responsibility.

The ROE No. 41 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 ROE No. 41 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 ROE No. 41 does not control the assets, operations, or management of the districts or joint agreements. In addition, the ROE No. 41 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.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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 ROE No. 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 “restricted” or “invested in capital assets”.

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.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34 in regards to interfund activities, such as payables, receivables, and transfers. Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets.

Interfund activities between governmental funds and business-type funds remain as due to/due from on the government-wide financial statements. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, 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 subsequent fiscal period, but received before fiscal year end are reported as deferred revenue.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the government-wide statements.

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.

Under the terms of the grant agreements, the ROE No. 41 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding sources

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

available to finance the program. It is the policy of the ROE No. 41 to first apply restricted funds, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned, if any.

Proprietary fund 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 for each major proprietary fund and nonmajor funds aggregated.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which earned, while expenses are recognized in the period in which the liability is incurred.

Proprietary fund operating revenues, such as charges for fees and services, result from exchange transactions associated with the principle 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.

The accounting policies and financial reporting practices of the ROE No. 41 conform to GAAP as applicable to governmental units.

Certain 2011 program and general revenues in the Statement of Activities have been reclassified to conform to the 2012 presentation. These reclassifications have no effect on the ROE No. 41 net assets or fund balances.

E. Fund Accounting

The accounts of the ROE No. 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 ROE No. 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 ROE No. 41’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.

The various funds used by the ROE No. 41 are categorized as follows for presentation in the financial statements:

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

Governmental Fund Types

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

General Fund - The General Fund is the operating fund of the ROE No. 41. It is used to account for all financial resources in the Region except those required to be accounted and reported for in another fund. The General Fund includes the following funds:

ROE Administrative - Accounts for monies received for, and payment of, expenditures associated with the operations of the ROE No. 41's general administrative activities. This fund also accounts for reimbursements from other funds for general administrative expenses.

Fingerprinting - Accounts for the fees received from the school districts which are used to pay for the fingerprinting services provided to school district employees.

General State Aid - Accounts for monies received for, and payment of, expenditures for regional learning academy supplements.

Lighthouse Educational Assistance Program (LEAP) - Accounts for tuition monies received for, and payment of, expenditures for the administration of an educational facility within a drug rehabilitation center.

Feasibility Study - Accounts for monies received for, and payment of, expenditures for the development of a consolidation feasibility study for school districts in Madison County.

Longitudinal Data System - Accounts for monies received for, and payment of, expenditures used for providing fiscal activities for ISBE to provide professional development services and an on line registration system for conferences for a State-wide project.

ETC Day Program - Accounts for tuition fees received from school districts used for providing special education and therapeutic services to behaviorally disordered and emotionally disturbed students under the Educational Therapy Center (ETC).



**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

ETC Unemployment Reserve - Accounts for local monies received and accumulated to be used to defray unemployment and related expenses in case the ETC cease to exist.

Suspension Temporary Option Program - Accounts for monies received for the administration of the Suspension Temporary Option Program (STOP) serving students in the Collinsville, Highland, and Troy school districts.

World War II Veterans Program - Accounts for monies received from Illinois World War II Veterans Association for the creation of a statewide project to capture World War II experiences.

Special Revenue Funds - Accounts for the proceeds of specific revenue sources (other than those accounted for in the Fiduciary Funds) that are restricted to expenditures for specified purposes. The special revenue funds include the following funds:

Education - This fund is used to account for and report the proceeds of specific revenue sources that are restricted by grant agreements or contracts to expenditures for specified purposes supporting education enhancement programs as follows:

Truants Alternative and Optional Education Project - Accounts for grant monies received for, and payment of, expenditures for the truancy prevention program including monitoring of truant students.

Vocational Adjustment Counselor - Accounts for grant monies received for, and payment of, expenditures to provide rehabilitation counseling for individuals in secondary work experience.

Regional Safe Schools - Accounts for grant monies received for, and payment of, expenditures to provide alternative school program for at-risk students. The program also provides placement for students who are suspended and/or are ineligible.

Title I - Reading First Part B SEA - Accounts for grant monies received for, and payment of, expenditures of the Reading First grant. The program provides professional development to teachers in Madison County to improve reading in Kindergarten through grade three.

McKinney - Vento Homeless Children - Accounts for grant monies received for and payment of, expenditures associated with counseling and educational support to homeless children and their families.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Gifted Education - Accounts for grant monies received for, and payment of, professional development which are designed to improve educational programs for the gifted and talented students in Madison County school districts.

Teachers & Administrators Mentoring Program - Accounts for grant monies received for, and payment of, professional development for, and administration of new teacher mentoring in the Triad and Highland School Districts.

ARRA - Title II - D Enhancing Education - Accounts for grant monies received for, and payment of, expenditures used to help enhance technology education. This is funded by the American Recovery and Reinvestment Act.

ARRA - Education Jobs Fund Project - Accounts for grant monies received for, and payment of, expenditures used to help stabilize State budgets and minimize the adverse impact of budget cuts in education. This is funded by the American Recovery and Reinvestment Act.

Striving Readers - Accounts for grant monies received for, and payment of, expenditures used for providing the fiscal activities for ISBE's reading initiative to write a State comprehensive literacy plan.

Portal Database Development - Accounts for grant monies received for, and payment of, expenditures to update the Illinois data portal website's survey and data collection tools to realign with new core standards at the state and national level.

Learn and Serve - Accounts for grant monies received for, and payment of, expenditures to encourage the use of service-learning as a teaching methodology by supporting the development of high quality service - learning projects in elementary and secondary schools.

Technology Hub - Accounts for monies received for, and payment of, expenditures for the Technology for Success grant. The program provides a coordinated, Statewide support infrastructure which assists school districts in planning, implementing, assessing results, and educating school staff in the use of technology and telecommunications in curricular, instructional, and administrative functions.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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School Improvement - Accounts for grant monies received for, and payment of, expenditures for the ROE/ISC Operations grant, as well as transactions associated with the operations of the ROE No. 41.

Title IV - Safe and Drug Free - Accounts for monies received for, and payment of, expenditures to implement safe schools initiatives, including drug and violence prevention.

Building State Capacity - Accounts for monies received for, and payment of, expenditures to build and sustain capacity to prevent youth substance use and violence. The intent is for the State Educational Agencies (SEA) to assist school districts and communities to build and expand existing prevention coalitions, seek other sources of support, and enhance Local Educational Agencies (LEA) prevention strategies for student assistance programs.

Institute Fund - Accounts for registration and renewal fees related to teachers' certificates. Funds collected from registration and renewal fees are expended to defray costs incidental to teachers' institutes, conferences, and workshops. All funds generated remain restricted until expended only on the aforementioned activities.

Nonmajor Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are restricted to expenditures for specified purposes. Nonmajor special revenue funds include the following:

General Education Development (GED) - Accounts for the administration of the GED Testing Program. Revenues consist of fees collected for testing, diplomas and materials.

Bus Driver Training - Accounts for bus drivers' permit fees which may be expended for bus drivers' refresher courses.

ETC Lunch Account Program - Accounts for monies received for, and payment of, expenditures for providing free and reduced priced meals to students under the Educational Therapy Center (ETC).

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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*Proprietary Fund Types*

Proprietary funds account for revenues and expenses related to services provided to other entities, or individuals which are reported as enterprise funds. The ROE No. 41 reports the following major enterprise funds:

Technology Hub Fees - Accounts for the local monies received for, and payment of, expenditures associated with setting up e-mail addresses for the schools in Madison County.

Tech Hub ICCP Cloud - Accounts for monies received for, and payment of, expenditures related to the implementation of high-speed broadband networks related to the work of the Information, Computer and Communications Policy (ICCP).

Workshop - Accounts for workshop fees received for, and payment of, expenses related to various trainings conducted by the ROE No. 41.

Nonmajor Enterprise Fund - Nonmajor enterprise fund consist of:

ROE Administrative - Accounts for monies received for, and payment of, expenditures associated with other miscellaneous enterprise activities of the ROE No. 41. This fund also accounts for reimbursements from other funds for general administrative expenses.

*Fiduciary Fund Types*

Fiduciary Funds are used to account for assets held in a trustee capacity or as an agent for organizations, and other governments, which are reported as an agency fund. The agency fund includes the following fund:

Teacher Retirement System and Teacher Health Insurance Security (TRS & THIS) - Accounts for pension and insurance contributions collected and disbursed to the Teacher Retirement System (TRS) of the State of Illinois.

F. Governmental Fund Balances

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
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*Nonspendable* - the portion of a Governmental Fund's net assets that are not available to be spent, either short-term or long-term, in either form or through legal restrictions. There are no accounts presenting a nonspendable fund balance.

*Restricted* - the portion of a Governmental Fund's net assets that are subject to external enforceable legal restrictions. The following fund balances are restricted by grant agreements or contracts: Longitudinal Data System, Truants Alternative and Optional Education Project, Vocational Adjustment Counselor, Regional Safe Schools, McKinney - Vento Homeless Children, Portal Database Development, Learn and Serve, Technology Hub, School Improvement, Building State Capacity, and ETC Lunch Account Program. The following funds are restricted by Illinois Statute: Institute Fund, General Education Development, and Bus Driver Training.

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

*Assigned* - the portion of a Governmental Fund's net assets that denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The following accounts comprise assigned fund balance: Fingerprinting, Lighthouse Education Assistance Program (LEAP), ETC Day Program, ETC Unemployment Reserve, and World War II Veterans Program.

*Unassigned* - available expendable financial resources in a governmental fund that are not designated for a specific purpose. The unassigned fund balances is made up of the General State Aid and Suspension Temporary Option Program (STOP).

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Budgetary Data

Overall budgeting is not a legal requirement for the ROE No. 41. Formal budgets are not adopted for all funds; therefore budgetary comparison schedules are not included in the financial statements.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The ROE No. 41 is the recipient of grants from ISBE for which comparison of budget and actual results are required. The comparison of budgeted and actual results for the following programs is reported as supplementary information:

Special Revenue Funds:

- Education Fund:
  - Truants Alternative and Optional Education Project
  - Vocational Adjustment Counselor
  - Regional Safe Schools
  - McKinney-Vento Homeless Children
  - ARRA - Title II-D Enhancing Education
  - Striving Readers
  - Technology Hub
  - School Improvement

I. Capital Assets

Capital assets, such as 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 ROE No. 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

J. Cash and Cash Equivalents

The ROE No. 41 considers all cash and all highly liquid investments (including restricted assets) with an original maturity of three months or less from the date of acquisition to be cash equivalents.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
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**K. Compensated Absences**

All ROE No. 41 employees must use their annual vacation before November 30, and an accrual for this liability as of June 30, 2012 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 No. 16, the ROE No. 41 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 GASB 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.

**L. New Accounting Pronouncements**

Effective July 1, 2011, ROE No. 41 has adopted GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*, and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53). The implementation of these Statements had no impact on the ROE No. 41's financial statements.

**M. Deferred Revenues**

The ROE No. 41 reports deferred revenue in the governmental fund Balance Sheet. Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period.

**N. Revenues - Exchange and Nonexchange Transactions**

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

Non-exchange transactions, in which the ROE No. 41 receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements

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have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ROE No. 41 must provide local resources to be used for specific purpose, and expenditure requirements, in which the resources are provided to the ROE No. 41 on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

Deposits

The ROE No. 41 utilizes several different bank accounts for its various activities. The carrying amount of the ROE No. 41's government-wide and agency fund deposits were \$2,418,986 and \$3,199, respectively, and the bank balances were \$2,582,379 and \$3,199, respectively. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2012. Of the total bank balances as of June 30, 2012, \$500,000 was secured by federal depository insurance and \$2,085,578 was collateralized by securities pledged by the financial institution's trust department in the name of the ROE No. 41.

*Custodial Credit Risk*

Custodial credit risk for deposits with financial institutions is the risk that, in the event of bank failure, the Regional Office of Education's deposits may not be returned to it. As of June 30, 2012, the ROE's deposits are fully insured and collateralized.

**NOTE 3 - CAPITAL ASSETS**

Capital asset activities for the year ended June 30, 2012 are as follows:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
<b>GOVERNMENTAL FUNDS</b>				
Equipment	\$ 934,844	\$ 35,805	\$ 130,076	\$ 840,573
Less: accumulated depreciation	838,303	41,589	125,167	754,725
Capital assets, net	<u>\$ 96,541</u>	<u>\$ (5,784)</u>	<u>\$ 4,909</u>	<u>\$ 85,848</u>
<b>PROPRIETARY FUNDS</b>				
Equipment	\$ 23,029	\$ -	\$ -	\$ 23,029
Less: accumulated depreciation	14,639	4,117	-	18,756
Capital assets, net	<u>\$ 8,390</u>	<u>\$ (4,117)</u>	<u>\$ -</u>	<u>\$ 4,273</u>



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Depreciation expense for the year ended June 30, 2012 amounted to \$41,589, was accounted for in the instructional services function under governmental activities.

**NOTE 4 - COMPENSATED ABSENCES**

The ROE No. 41 records a liability associated with compensated absences. During the FY 2012, the amount in this account increased by \$3,822. At June 30, 2012, the balance in this account was \$43,432.

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012
Compensated absences	\$ 39,610	\$ 12,087	\$ 8,265	\$ 43,432

**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 the ROE No. 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, 2012 is as follows:

Regional Superintendent salary	\$ 104,616
Regional Superintendent benefits (includes State paid insurance)	20,468
Assistant Regional Superintendent salary	66,691
Assistant Regional Superintendent benefits (includes State paid insurance)	17,228
TRS pension contributions	281,398
THIS contributions	9,941
Salaries of office workers paid by the Madison County	433,217
Rent of office space	43,560
Madison County's share in health insurance contributions	45,881
Madison County's share in retirement contributions	67,090
Total	\$ 1,090,090

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.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
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**NOTE 6 - INTERFUND TRANSFERS**

**(a) Due From (To) Other Funds**

As of June 30, 2012, amounts due from (to) other funds consist of the following:

Fund	Due From Other Funds	Due To Other Funds
General Fund - General State Aid	\$ 56,551	\$ -
Education Fund - Truants Alternative and Optional Education Project	-	7,140
Education Fund - Regional Safe Schools	-	24,396
Education Fund - Technology Hub	-	25,015
Total	<u>\$ 56,551</u>	<u>\$ 56,551</u>

The amount due to the General State Aid from the education funds resulted from interfund borrowing to cover short-term cash deficit.

**(b) Transfers From (To) Other Funds**

The composition of interfund transfers during FY 2012 is as follows:

Fund	Transfers-in	Transfers-out
General Fund - General State Aid	\$ -	\$ 63,773
General Fund - Suspension Temporary Option Program	63,773	-
Education Fund - Learn and Serve	-	1,000
Education Fund - Building State Capacity	-	8,635
Enterprise Fund - Tech Hub ICCP Cloud	-	2,979
Enterprise Fund - ROE Administrative	12,614	-
Total	<u>\$ 76,387</u>	<u>\$ 76,387</u>

In FY 2012, the ROE No. 41 made interfund transfers to move a portion of unrestricted funds to finance various operating expenditures accounted for in other funds.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
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**NOTE 7 - DUE FROM (TO) OTHER GOVERNMENTS**

The ROE No. 41's General Fund, Special Revenue Funds, and Proprietary Funds have funds due to and due from various governmental units which consist of the following:

Due from Other Governments:	
Illinois State Board of Education	\$ 114,999
Illinois Department of Human Services	23,744
Local school districts	29,726
Other governmental units	63,029
Total	\$ 231,498
Due to Other Governments:	
Illinois State Board of Education	\$ 32,722
Other governmental units	25,833
	\$ 58,555

**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS**

**(a) Defined Benefit Plan - Madison County Health Plan**

*Plan Description.* The ROE No. 41 employees are covered by the Madison County (the County) health insurance plan. The County provides postemployment health care for eligible retired employees and their dependents through a single employer defined benefit plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by the County and can be amended by the County Board through its personnel manual and union contracts. An irrevocable trust has not been established by the County to account for the plan and accordingly the plan is not accounted for as a trust fund. The plan does not issue a separate report.

*Benefits Provided.* The ROE No. 41 provides postemployment health care for eligible retired employees and their dependents through the County. Employees who terminate after meeting the age and service requirements for retirement are eligible to continue their health care plan coverage with the County by paying the monthly premium rate. The benefit levels are the same as those afforded to active employees. The benefits include general outpatient and inpatient medical services; mental, nervous, and substance abuse care; vision care, dental care; and prescriptions. Because the actuarial cost of health benefits for retirees exceeds the average amount paid by retirees, the additional cost is paid by the County and is the basis for the OPEB obligation accounted for under GASB Statement No. 45. The ROE No. 41 reimburses the County for non-administrative ROE

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
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No. 41 employees. These non-administrative employees are classified under “Other Education” below.

*Membership.* At November 30, 2011 (the County’s fiscal year end), membership consisted of:

	Education Admin	Other Education	Total
Active participants	10	23	33
Retired participants	2	2	4
Total	12	25	37

*Funding Policy.* The County negotiates the contribution percentages between the County and employees through the union contracts and the personnel policy. The ROE No. 41 employees follow these contracts and policies. All retirees contribute 100% of the blended premium to the plan and the County contributes the remainder to cover the cost of providing the benefits to the retirees via the insured plan (pay-as-you-go). GASB Statement No. 45 requires recognition of the current expense of OPEB based on each governing body’s annual required contribution, but does not require funding of the related liability.

*Annual OPEB Cost and Net OPEB Obligation.* The ROE No. 41’s annual OPEB cost is calculated based on the annual required contribution (ARC). The ARC represents the normal cost each year and an amount to amortize the unfunded actuarial liability over a period of thirty years.

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Components of Net OPEB Obligation and Expense**

Item	Amount as of 11/30/2011		
	Education Admin	Other Education	Total
Annual Required Contribution	\$ 28,933	\$ 46,456	\$ 75,389
Interest on Net OPEB obligation	927	4,669	5,596
Adjustment to annual required contribution	( 1,149)	( 5,785)	( 6,934)
Annual OPEB cost (expense)	28,711	45,340	74,051
Contributions made	(12,729)	( 5,898)	(18,627)
Increase in net OPEB obligation	15,982	39,442	55,424
Net OPEB obligation - beginning of year	18,549	93,384	111,933
Net OPEB obligation - end of year	\$ 34,531	\$ 132,826	\$ 167,357

**Schedule of Contributions, OPEB Costs and Net Obligations**

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
11/30/11	\$ 74,051	25.15%	\$ 167,357

*Funded Status and Funding Progress.* As of November 30, 2011 (the County's fiscal year end), the actuarial accrued liability for benefits was \$728,190. The covered payroll was approximately \$1,637,319, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 44.5%.

*Actuarial Method and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members.

In the actuarial valuation for the fiscal year ended November 30, 2011, the entry age normal cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 9% initially, reduced to an ultimate rate of 5% after five years. Rates include a 2.5% general inflation assumption. The Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount on a closed basis over 30 years.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Schedule of Funded Status and Funding Progress**

	Education Admin	Other Education	Total
Actuarial Accrued Liability (AAL)	\$ 293,182	\$ 435,008	\$ 728,190
Actuarial Value of Assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 293,182	\$ 435,008	\$ 728,190
Funded Ratio	0%	0%	0%
Covered Payroll (Active Plan Members)	\$ 468,915	\$ 1,168,404	\$ 1,637,319
UAAL as a % of Covered Payroll	62.5%	37.2%	44.5%

**(b) Teacher Health Insurance Security Fund**

The ROE No. 41 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but does not provide vision, dental or life insurance benefits to annuitants of the TRS. Annuitants may participate in the State administered participating provider option plan or choose from several managed care options.

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

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

- **On-behalf contributions to THIS Fund.** The State of Illinois makes employer retiree health insurance contributions on-behalf of the ROE No. 41. State contributions are intended to match contributions to THIS Fund from active members which were 0.88 percent of pay during the year ended June 30, 2012. The State of Illinois contributions were \$9,941, and the ROE No. 41 recognized revenue and expenditures of this amount during the year.

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State contributions intended to match active member contributions during the years ended June 30, 2011 and 2010 were 0.88 percent and 0.84 percent of pay, respectively. State contributions on-behalf of ROE No. 41 for the years ended June 30, 2011 and 2010, were \$10,585 and \$12,200, respectively.

- **Employer contributions to THIS Fund.** The ROE No. 41 also makes contributions to THIS Fund. The ROE No. 41's THIS Fund contribution was 0.66 percent during the years ended June 30, 2012 and June 30, 2011, and 0.63 percent during the year ended June 30, 2010. For the year ended June 30, 2012, the ROE No. 41 paid \$7,456 to the THIS Fund. For the years ended June 30, 2011 and June 30, 2010, the ROE No. 41 paid \$7,939 and \$7,956 to the THIS Fund, respectively, which was 100 percent of the required contribution.

The publicly available financial report of the THIS Fund may be obtained by writing to the Department of Healthcare and Family Services, 201 S. Grand Avenue, Springfield, IL 62763-3838.

**NOTE 9 - PENSION AND RETIREMENT COMMITMENTS**

Teacher's Retirement System of the State of Illinois (TRS)

The ROE No. 41 participates in the TRS. TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains the primary responsibility for funding the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active 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, 2012, was 9.4 percent of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on-behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2011 and 2010.

The State of Illinois makes contributions directly to TRS on-behalf of the ROE No. 41's TRS-covered employees.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

- **On-behalf contributions.** The State of Illinois makes employer pension contributions on-behalf of the ROE No. 41. For the year ended June 30, 2012, the State of Illinois contributions were based on 24.91 percent of creditable earnings not paid from federal funds, and the ROE No. 41 recognized revenue and expenditures of \$281,398 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2011 and June 30, 2010, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 23.10 percent (\$322,091) and 23.38 percent (\$339,577), respectively.

The ROE No. 41 makes other types of employer contributions directly to TRS.

- **2.2 formula contributions.** Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2012 were \$6,552. Contributions for the years ended June 30, 2011, and June 30, 2010, were \$6,977 and \$7,325, respectively.
- **Federal and special trust fund contributions.** When TRS members are paid from federal and special trust funds administered by the ROE No. 41, there is a statutory requirement for the ROE No. 41 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective for the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS. For the year ended June 30, 2012, the employer pension contribution was 24.91 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2011 and 2010, the employer pension contribution was 23.10 and 23.38 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2012, no salaries were paid from federal and special trust funds. For the years ended June 30, 2011 and 2010 required ROE No. 41 contributions were \$0 and \$23,072, respectively.
- **Early retirement option (ERO).** The ROE No. 41 is also required to make one-time employer contributions to TRS for members retiring under the ERO. The payments vary depending on the age and salary of the member.

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

For the year ended June 30, 2012, the ROE No. 41 paid \$0 to TRS for employer contributions under the ERO program. For the years ended June 30, 2011 and June 30, 2010, the ROE No. 41 paid \$0 in employer ERO contributions.

- **Salary increases over 6 percent and excess sick leave.** If an employer grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average



**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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 increase of up to 6 percent. For the year ended June 30, 2012, the ROE No. 41 paid \$0 to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2011 and 2010, the ROE No. 41 did not have any payments to TRS for employer contributions due on salary increases in excess of 6 percent.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary rate reported by the granting employer during the four-year sick leave review period, and the TRS total normal cost rate (17.83 percent of salary during the year ended June 30, 2012). For the year ended June 30, 2012, the ROE No. 41 paid \$0 to TRS for sick leave days granted in excess of the normal annual allotment. For the years ended June 30, 2011 and 2010, the ROE No. 41 did not have any payments to TRS for sick leave days granted in excess of the normal allotment.

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer, and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2011. The report for the year ended June 30, 2012, is expected to be available in late 2012.

The reports may be obtained by writing to the Teacher's Retirement System of the State of Illinois, 2815 West Washington Street, P.O. Box 19253, Springfield, Illinois 62794-9253. The most current report is also available on the TRS website at <http://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 responsibilities of county government. Retirement contributions for non-certified employees amounting to \$37,073 are recorded as county on-behalf payments.

**NOTE 10 - DEFICIT FUND BALANCE**

The General Fund's Suspension Temporary Option Program (STOP) has a deficit fund balance as of June 30, 2012 totaling \$4,704. The deficit fund balance is expected to be reversed in the next fiscal year through payments from the State, receipts from local sources and interest income. The deficit balance is due to the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which require that grant revenue can only be recognized when collected during the fiscal year or collected soon after the end of the fiscal year to be available to pay the liabilities of current fiscal period.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

In the normal course of operations, the ROE No. 41 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 the 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, 2012, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past five years.

**NOTE 12 - OPERATING LEASES**

The ROE No. 41 is committed under lease agreement with the Madison County for a school facility for the ROE No. 41's Safe Schools, ETC and STOP programs located in Troy, Illinois. The lease agreement is considered an operating lease for accounting purposes.

The lease agreement for the school facility has a term of 50 years beginning August 1, 2009. The lease requires annual payment of \$35,000, payable quarterly for the first seven years. During the eighth year, the lease payment shall be \$10,000. For the remaining 42 years, the lease requires \$1 annually. Total lease expense for this facility for the year ended June 30, 2012 amounted to \$35,000.

The minimum future rental payments for each of the next applicable years under the non-cancelable school facility lease are:

Fiscal Year Ending June 30	Amount
2013	\$ 35,000
2014	35,000
2015	35,000
2016	35,000
2017	10,000
2018 - 2059	42
Total	<u>\$ 150,042</u>

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 13 - SUBSEQUENT EVENTS**

The effects of subsequent events on the financial statements have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

ROE No. 41 continues to have ongoing litigation regarding a personnel suit. Due to the fact that summary judgment hearing is pending for a ruling date, no determination has been made as to a financial settlement award.

**REQUIRED SUPPLEMENTARY INFORMATION  
(OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS)**

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2012**

**OTHER POST EMPLOYMENT BENEFITS  
SCHEDULE OF FUNDING PROGRESS**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
11/30/11	\$0	\$ 728,190	\$ 728,190	0%	\$1,637,319	44.50%
11/30/10	0	605,341	605,341	0%	1,875,787	32.30%
11/30/09	0	554,500	554,500	0%	1,812,355	30.60%

**OTHER POST EMPLOYMENT BENEFITS PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>Fiscal Year Ended</b>	<b>Employer Contributions</b>	<b>Annual Required Contributions (ARC)</b>	<b>Percentage Contributed</b>
11/30/11	\$ 18,627	\$ 75,389	25.15%
11/30/10	9,763	65,666	15.02%
11/30/09	8,957	65,666	13.64%

**SUPPLEMENTARY INFORMATION**

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
GENERAL FUND  
COMBINING SCHEDULE OF ACCOUNTS  
JUNE 30, 2012**

**SCHEDULE 1**

	<b>ROE Administrative</b>	<b>Fingerprinting</b>	<b>General State Aid</b>	<b>Lighthouse Educational Assistance Program</b>	<b>Feasibility Study</b>	<b>Longitudinal Data System</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 20,127	\$ 365,887	\$ 404,438	\$ -	\$ 36
Due from other funds	-	-	56,551	-	-	-
Due from other governments	-	4,126	-	24,310	-	-
<b>TOTAL ASSETS</b>	<b>-</b>	<b>24,253</b>	<b>422,438</b>	<b>428,748</b>	<b>-</b>	<b>36</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	-	-	23,317	37,576	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>23,317</b>	<b>37,576</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT)</b>						
Restricted	-	-	-	-	-	36
Assigned	-	24,253	-	391,172	-	-
Unassigned	-	-	399,121	-	-	-
<b>Total fund balances (deficit)</b>	<b>-</b>	<b>24,253</b>	<b>399,121</b>	<b>391,172</b>	<b>-</b>	<b>36</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 24,253</b>	<b>\$ 422,438</b>	<b>\$ 428,748</b>	<b>\$ -</b>	<b>\$ 36</b>

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
GENERAL FUND  
COMBINING SCHEDULE OF ACCOUNTS  
JUNE 30, 2012**

**SCHEDULE 1  
(CONTINUED)**

	<b>ETC Day Program</b>	<b>ETC Unemployment Reserve</b>	<b>Suspension Temporary Option Program</b>	<b>World War II Veterans Program</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 385,537	\$ 175,696	\$ -	\$ 8,730	\$ 1,360,451
Due from other funds	-	-	-	-	56,551
Due from other governments	4,097	-	-	-	32,533
<b>TOTAL ASSETS</b>	<b>389,634</b>	<b>175,696</b>	<b>-</b>	<b>8,730</b>	<b>1,449,535</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	40,440	-	4,704	359	106,396
<b>Total liabilities</b>	<b>40,440</b>	<b>-</b>	<b>4,704</b>	<b>359</b>	<b>106,396</b>
<b>FUND BALANCES (DEFICIT)</b>					
Restricted	-	-	-	-	36
Assigned	349,194	175,696	-	8,371	948,686
Unassigned	-	-	(4,704)	-	394,417
<b>Total fund balances (deficit)</b>	<b>349,194</b>	<b>175,696</b>	<b>(4,704)</b>	<b>8,371</b>	<b>1,343,139</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 389,634</b>	<b>\$ 175,696</b>	<b>\$ -</b>	<b>\$ 8,730</b>	<b>\$ 1,449,535</b>



MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41

SCHEDULE 2

GENERAL FUND ACCOUNTS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

	ROE Administrative	Fingerprinting	General State Aid	Lighthouse Educational Assistance Program	Feasibility Study	Longitudinal Data System
<b>REVENUES</b>						
State sources	\$ -	\$ -	\$ 215,221	\$ -	\$ 4,500	\$ -
Local sources	-	50,701	-	319,598	-	-
On-behalf payments - State	500,342	-	-	-	-	-
On-behalf payments - local	561,488	-	10,015	8,170	-	-
Total revenues	1,061,830	50,701	225,236	327,768	4,500	-
<b>EXPENDITURES</b>						
Salaries	-	-	255,870	279,529	-	-
Benefits	-	-	40,628	45,273	-	-
Purchased services	-	45,968	49,662	22,626	-	-
Supplies and materials	-	340	13,027	1,186	-	-
Payments to governmental units	-	-	-	-	-	-
Miscellaneous	-	-	4,307	-	-	-
On-behalf payments - State	500,342	-	-	-	-	-
On-behalf payments - local	561,488	-	10,015	8,170	-	-
Capital expenditures	-	-	-	-	-	-
Total expenditures	1,061,830	46,308	373,509	356,784	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	4,393	(148,273)	(29,016)	4,500	-
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in (out)	-	-	(63,773)	-	-	-
Interest income	-	102	4,299	3,466	-	36
Total other financing sources (uses)	-	102	(59,474)	3,466	-	36
<b>NET CHANGE IN FUND BALANCES</b>	-	4,495	(207,747)	(25,550)	4,500	36
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	-	19,758	606,868	416,722	(4,500)	-
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	\$ -	\$ 24,253	\$ 399,121	\$ 391,172	\$ -	\$ 36

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
GENERAL FUND ACCOUNTS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012**

**SCHEDULE 2  
(CONTINUED)**

	<b>ETC Day Program</b>	<b>ETC Unemployment Reserve</b>	<b>Suspension Temporary Option Program</b>	<b>World War II Veterans Program</b>	<b>Total</b>
<b>REVENUES</b>					
State sources	\$ -	\$ -	\$ -	\$ -	\$ 219,721
Local sources	454,456	-	19,500	32,974	877,229
On-behalf payments - State	-	-	-	-	500,342
On-behalf payments - local	10,075	-	-	-	589,748
Total revenues	464,531	-	19,500	32,974	2,187,040
<b>EXPENDITURES</b>					
Salaries	321,063	-	65,865	9,020	931,347
Benefits	64,497	-	13,376	1,778	165,552
Purchased services	28,353	-	-	9,675	156,284
Supplies and materials	15,908	-	-	2,519	32,980
Payments to governmental units	-	-	-	31	31
Miscellaneous	-	-	-	-	4,307
On-behalf payments - State	-	-	-	-	500,342
On-behalf payments - local	10,075	-	-	-	589,748
Capital expenditures	-	-	-	1,677	1,677
Total expenditures	439,896	-	79,241	24,700	2,382,268
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	24,635	-	(59,741)	8,274	(195,228)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	-	-	63,773	-	-
Interest income	1,751	2,527	-	97	12,278
Total other financing sources (uses)	1,751	2,527	63,773	97	12,278
<b>NET CHANGE IN FUND BALANCES</b>	26,386	2,527	4,032	8,371	(182,950)
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	322,808	173,169	(8,736)	-	1,526,089
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	\$ 349,194	\$ 175,696	\$ (4,704)	\$ 8,371	\$ 1,343,139

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
EDUCATION FUND  
COMBINING SCHEDULE OF ACCOUNTS  
JUNE 30, 2012**

**SCHEDULE 3**

	<b>Truants Alternative and Optional Education Project</b>	<b>Vocational Adjustment Counselor</b>	<b>Regional Safe Schools</b>	<b>Title I - Reading First Part B SEA</b>	<b>McKinney - Vento Homeless Children</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 5,794	\$ -	\$ -	\$ 1,754
Due from other governments	7,188	26,869	51,609	-	25,612
<b>TOTAL ASSETS</b>	<b>7,188</b>	<b>32,663</b>	<b>51,609</b>	<b>-</b>	<b>27,366</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	-	4,501	17,343	-	2,644
Due to other funds	7,140	-	24,396	-	-
Due to other governments	-	-	10	-	24,574
Deferred revenues	-	3,125	-	-	-
Total liabilities	7,140	7,626	41,749	-	27,218
<b>FUND BALANCES</b>					
Restricted	48	25,037	9,860	-	148
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,188</b>	<b>\$ 32,663</b>	<b>\$ 51,609</b>	<b>\$ -</b>	<b>\$ 27,366</b>

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
EDUCATION FUND  
COMBINING SCHEDULE OF ACCOUNTS  
JUNE 30, 2012**

**SCHEDULE 3  
(CONTINUED)**

	<b>Gifted Education</b>	<b>Teachers &amp; Administrators Mentoring Program</b>	<b>ARRA - Title II - D Enhancing Education</b>	<b>ARRA - Education Jobs Fund Project</b>	<b>Striving Readers</b>	<b>Portal Database Development</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 32,485	\$ 121
Due from other governments	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,485</b>	<b>121</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Due to other governments	-	-	-	-	32,485	-
Deferred revenues	-	-	-	-	-	-
Total liabilities	-	-	-	-	32,485	-
<b>FUND BALANCES</b>						
Restricted	-	-	-	-	-	121
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,485</b>	<b>\$ 121</b>

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
 EDUCATION FUND  
 COMBINING SCHEDULE OF ACCOUNTS  
 JUNE 30, 2012**

**SCHEDULE 3  
 (CONTINUED)**

	<b>Learn and Serve</b>	<b>Technology Hub</b>	<b>School Improvement</b>	<b>Title IV - Safe and Drug Free</b>	<b>Building State Capacity</b>	<b>Total</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 7,014	\$ 748	\$ 4,148	\$ 645	\$ 137	\$ 52,846
Due from other governments	18,000	35,077	-	-	-	164,355
<b>TOTAL ASSETS</b>	<b>25,014</b>	<b>35,825</b>	<b>4,148</b>	<b>645</b>	<b>137</b>	<b>217,201</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	25,000	8,989	2,821	463	-	61,761
Due to other funds	-	25,015	-	-	-	56,551
Due to other governments	-	55	-	182	-	57,306
Deferred revenues	-	-	-	-	-	3,125
Total liabilities	25,000	34,059	2,821	645	-	178,743
<b>FUND BALANCES</b>						
Restricted	14	1,766	1,327	-	137	38,458
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 25,014</b>	<b>\$ 35,825</b>	<b>\$ 4,148</b>	<b>\$ 645</b>	<b>\$ 137</b>	<b>\$ 217,201</b>

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**

**SCHEDULE 4**

**EDUCATION FUND ACCOUNTS**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Truants Alternative and Optional Education Project</b>	<b>Vocational Adjustment Counselor</b>	<b>Regional Safe Schools</b>	<b>Title I - Reading First Part B SEA</b>	<b>McKinney - Vento Homeless Children</b>
<b>REVENUES</b>					
Federal sources	\$ -	\$ 116,569	\$ -	\$ -	\$ 29,221
State sources	50,316	9,375	206,611	-	-
Local sources	-	87,570	-	-	-
Total revenues	50,316	213,514	206,611	-	29,221
<b>EXPENDITURES</b>					
Salaries	39,646	147,711	136,792	-	9,110
Benefits	1,066	31,792	13,882	-	1,240
Purchased services	9,087	18,340	38,564	-	12,555
Supplies and materials	517	3,284	-	-	6,238
Payments to governmental units	-	-	-	-	-
Miscellaneous	-	3,677	-	5	-
Capital expenditures	-	-	-	-	-
Total expenditures	50,316	204,804	189,238	5	29,143
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	8,710	17,373	(5)	78
<b>OTHER FINANCING SOURCES</b>					
Transfers in (out)	-	-	-	-	-
Interest income	-	10	-	-	70
Total other financing sources	-	10	-	-	70
<b>NET CHANGE IN FUND BALANCES</b>	-	8,720	17,373	(5)	148
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	48	16,317	(7,513)	5	-
<b>FUND BALANCES, END OF YEAR</b>	\$ 48	\$ 25,037	\$ 9,860	\$ -	\$ 148

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
 EDUCATION FUND ACCOUNTS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2012**

**SCHEDULE 4  
 (CONTINUED)**

	<b>Gifted Education</b>	<b>Teachers &amp; Administrators Mentoring Program</b>	<b>ARRA - Title II - D Enhancing Education</b>	<b>ARRA - Education Jobs Fund Project</b>	<b>Striving Readers</b>	<b>Portal Database Development</b>
<b>REVENUES</b>						
Federal sources	\$ -	\$ -	\$ 32,543	\$ 318	\$ 5,728	\$ -
State sources	-	20,203	-	-	-	212,340
Local sources	-	-	-	-	-	-
Total revenues	-	20,203	32,543	318	5,728	212,340
<b>EXPENDITURES</b>						
Salaries	-	1,800	-	265	-	28,166
Benefits	-	234	-	53	-	3,929
Purchased services	-	16,212	919	-	5,728	174,542
Supplies and materials	-	1,957	3,025	-	-	174
Payments to governmental units	-	-	-	-	-	-
Miscellaneous	270	-	-	-	-	-
Capital expenditures	-	-	28,599	-	-	5,529
Total expenditures	270	20,203	32,543	318	5,728	212,340
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(270)	-	-	-	-	-
<b>OTHER FINANCING SOURCES</b>						
Transfers in (out)	-	-	-	-	-	-
Interest income	-	-	-	-	-	121
Total other financing sources	-	-	-	-	-	121
<b>NET CHANGE IN FUND BALANCES</b>	(270)	-	-	-	-	121
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	270	-	-	-	-	-
<b>FUND BALANCES, END OF YEAR</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
 EDUCATION FUND ACCOUNTS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2012**

**SCHEDULE 4  
 (CONTINUED)**

	<b>Learn and Serve</b>	<b>Technology Hub</b>	<b>School Improvement</b>	<b>Title IV - Safe and Drug Free</b>	<b>Building State Capacity</b>	<b>Total</b>
<b>REVENUES</b>						
Federal sources	\$ 26,000	\$ -	\$ -	\$ 251,913	\$ 172,483	\$ 634,775
State sources	-	268,657	43,603	-	-	811,105
Local sources	-	-	-	-	-	87,570
Total revenues	26,000	268,657	43,603	251,913	172,483	1,533,450
<b>EXPENDITURES</b>						
Salaries	-	181,691	29,112	-	-	574,293
Benefits	-	33,606	9,027	-	-	94,829
Purchased services	25,000	30,464	4,476	66,429	163,848	566,164
Supplies and materials	-	11,536	988	15,484	-	43,203
Payments to governmental units	-	-	-	170,000	-	170,000
Miscellaneous	-	-	-	-	-	3,952
Capital expenditures	-	-	-	-	-	34,128
Total expenditures	25,000	257,297	43,603	251,913	163,848	1,486,569
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,000	11,360	-	-	8,635	46,881
<b>OTHER FINANCING SOURCES</b>						
Transfers in (out)	(1,000)	-	-	-	(8,635)	(9,635)
Interest income	14	10	26	-	137	388
Total other financing sources	(986)	10	26	-	(8,498)	(9,247)
<b>NET CHANGE IN FUND BALANCES</b>	14	11,370	26	-	137	37,634
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	-	(9,604)	1,301	-	-	824
<b>FUND BALANCES, END OF YEAR</b>	\$ 14	\$ 1,766	\$ 1,327	\$ -	\$ 137	\$ 38,458



**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
EDUCATION FUND ACCOUNTS  
BUDGETARY COMPARISON SCHEDULES  
FOR THE YEAR ENDED JUNE 30, 2012**

**SCHEDULE 5**

	Truants Alternative and Optional Education Project			Vocational Adjustment Counselor			Regional Safe Schools		
	Budget	Actual	Variance (Unfavorable)	Budget	Actual	Variance (Unfavorable)	Budget	Actual	Variance (Unfavorable)
<b>REVENUES</b>									
Federal sources	\$ -	\$ -	\$ -	\$ 116,569	\$ 116,569	\$ -	\$ -	\$ -	\$ -
State sources	50,316	50,316	-	16,000	9,375	(6,625)	189,238	206,611	17,373
Local sources	-	-	-	87,693	87,570	(123)	-	-	-
Total revenues	<u>50,316</u>	<u>50,316</u>	<u>-</u>	<u>220,262</u>	<u>213,514</u>	<u>(6,748)</u>	<u>189,238</u>	<u>206,611</u>	<u>17,373</u>
<b>EXPENDITURES</b>									
Salaries	39,646	39,646	-	158,107	147,711	10,396	137,189	136,792	397
Benefits	1,067	1,066	1	38,200	31,792	6,408	13,386	13,882	(496)
Purchased services	9,078	9,087	(9)	3,905	18,340	(14,435)	38,663	38,564	99
Supplies and materials	525	517	8	3,750	3,284	466	-	-	-
Miscellaneous	-	-	-	16,300	3,677	12,623	-	-	-
Capital expenditures	-	-	-	-	-	-	-	-	-
Total expenditures	<u>50,316</u>	<u>50,316</u>	<u>-</u>	<u>220,262</u>	<u>204,804</u>	<u>15,458</u>	<u>189,238</u>	<u>189,238</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>8,710</u>	<u>\$ 8,710</u>	<u>\$ -</u>	<u>17,373</u>	<u>\$ 17,373</u>
<b>OTHER FINANCING SOURCES</b>									
Interest income		-			10			-	
<b>NET CHANGE IN FUND BALANCES</b>		-			8,720			17,373	
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>		<u>48</u>			<u>16,317</u>			<u>(7,513)</u>	
<b>FUND BALANCES, END OF YEAR</b>		<u>\$ 48</u>			<u>\$ 25,037</u>			<u>\$ 9,860</u>	

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
 EDUCATION FUND ACCOUNTS  
 BUDGETARY COMPARISON SCHEDULES  
 FOR THE YEAR ENDED JUNE 30, 2012**

**SCHEDULE 5  
 (CONTINUED)**

	McKinney - Vento Homeless Children			ARRA - Title II - D Enhancing Education			Striving Readers		
	Budget	Actual	Variance (Unfavorable)	Budget	Actual	Variance (Unfavorable)	Budget	Actual	Variance (Unfavorable)
<b>REVENUES</b>									
Federal sources	\$ 83,302	\$ 29,221	\$ (54,081)	\$ 32,543	\$ 32,543	\$ -	\$ 99,987	\$ 5,728	\$ (94,259)
State sources	-	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-	-
Total revenues	<u>83,302</u>	<u>29,221</u>	<u>(54,081)</u>	<u>32,543</u>	<u>32,543</u>	<u>-</u>	<u>99,987</u>	<u>5,728</u>	<u>(94,259)</u>
<b>EXPENDITURES</b>									
Salaries	14,000	9,110	4,890	-	-	-	2,320	-	2,320
Benefits	2,560	1,240	1,320	-	-	-	300	-	300
Purchased services	45,542	12,555	32,987	1,720	919	801	96,225	5,728	90,497
Supplies and materials	21,200	6,238	14,962	2,225	3,025	(800)	1,142	-	1,142
Miscellaneous	-	-	-	-	-	-	-	-	-
Capital expenditures	-	-	-	28,598	28,599	(1)	-	-	-
Total expenditures	<u>83,302</u>	<u>29,143</u>	<u>54,159</u>	<u>32,543</u>	<u>32,543</u>	<u>-</u>	<u>99,987</u>	<u>5,728</u>	<u>94,259</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>78</u>	<u>\$ 78</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>OTHER FINANCING SOURCES</b>									
Interest income		<u>70</u>			<u>-</u>			<u>-</u>	
<b>NET CHANGE IN FUND BALANCES</b>		<u>148</u>			<u>-</u>			<u>-</u>	
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>		<u>-</u>			<u>-</u>			<u>-</u>	
<b>FUND BALANCES, END OF YEAR</b>		<u>\$ 148</u>			<u>\$ -</u>			<u>\$ -</u>	

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
EDUCATION FUND ACCOUNTS  
BUDGETARY COMPARISON SCHEDULES  
FOR THE YEAR ENDED JUNE 30, 2012**

**SCHEDULE 5  
(CONTINUED)**

	<u>Technology Hub</u>			<u>School Improvement</u>			<u>Total</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
<b>REVENUES</b>									
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 332,401	\$ 184,061	\$ (148,340)
State sources	244,077	268,657	24,580	43,603	43,603	-	543,234	578,562	35,328
Local sources	-	-	-	-	-	-	87,693	87,570	(123)
Total revenues	<u>244,077</u>	<u>268,657</u>	<u>24,580</u>	<u>43,603</u>	<u>43,603</u>	<u>-</u>	<u>963,328</u>	<u>850,193</u>	<u>(113,135)</u>
<b>EXPENDITURES</b>									
Salaries	168,830	181,691	(12,861)	28,452	29,112	(660)	548,544	544,062	4,482
Benefits	32,079	33,606	(1,527)	9,420	9,027	393	97,012	90,613	6,399
Purchased services	30,668	30,464	204	4,331	4,476	(145)	230,132	120,133	109,999
Supplies and materials	12,500	11,536	964	1,400	988	412	42,742	25,588	17,154
Miscellaneous	-	-	-	-	-	-	16,300	3,677	12,623
Capital expenditures	-	-	-	-	-	-	28,598	28,599	(1)
Total expenditures	<u>244,077</u>	<u>257,297</u>	<u>(13,220)</u>	<u>43,603</u>	<u>43,603</u>	<u>-</u>	<u>963,328</u>	<u>812,672</u>	<u>150,656</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>11,360</u>	<u>\$ 11,360</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>37,521</u>	<u>\$ 37,521</u>
<b>OTHER FINANCING SOURCES</b>									
Interest income		<u>10</u>			<u>26</u>			<u>116</u>	
<b>NET CHANGE IN FUND BALANCES</b>		<u>11,370</u>			<u>26</u>			<u>37,637</u>	
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>		<u>(9,604)</u>			<u>1,301</u>			<u>549</u>	
<b>FUND BALANCES, END OF YEAR</b>		<u>\$ 1,766</u>			<u>\$ 1,327</u>			<u>\$ 38,186</u>	

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012**

**SCHEDULE 6**

	<b>General Education Development</b>	<b>Bus Driver Training</b>	<b>ETC Lunch Account Program</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 58,666	\$ 17,185	\$ 23,075	\$ 98,926
Due from other governments	-	72	1,784	1,856
<b>TOTAL ASSETS</b>	<b>58,666</b>	<b>17,257</b>	<b>24,859</b>	<b>100,782</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	102	-	-	102
Deferred revenue	-	-	1,613	1,613
Total liabilities	102	-	1,613	1,715
<b>FUND BALANCES</b>				
Restricted	58,564	17,257	23,246	99,067
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 58,666</b>	<b>\$ 17,257</b>	<b>\$ 24,859</b>	<b>\$ 100,782</b>

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**

**SCHEDULE 7**

**NONMAJOR SPECIAL REVENUE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>General Education Development</b>	<b>Bus Driver Training</b>	<b>ETC Lunch Account Program</b>	<b>Total</b>
<b>REVENUES</b>				
Federal sources	\$ -	\$ -	\$ 21,880	\$ 21,880
State sources	-	2,153	858	3,011
Local sources	31,130	5,236	5,034	41,400
Total revenues	<u>31,130</u>	<u>7,389</u>	<u>27,772</u>	<u>66,291</u>
<b>EXPENDITURES</b>				
Benefits	101	-	-	101
Purchased services	14,664	158	27,585	42,407
Supplies and materials	6,254	-	-	6,254
Miscellaneous	-	500	-	500
Total expenditures	<u>21,019</u>	<u>658</u>	<u>27,585</u>	<u>49,262</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	10,111	6,731	187	17,029
<b>OTHER FINANCING SOURCES</b>				
Interest income	<u>276</u>	<u>72</u>	<u>122</u>	<u>470</u>
<b>NET CHANGE IN FUND BALANCES</b>	10,387	6,803	309	17,499
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>48,177</u>	<u>10,454</u>	<u>22,937</u>	<u>81,568</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 58,564</u>	<u>\$ 17,257</u>	<u>\$ 23,246</u>	<u>\$ 99,067</u>

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41**  
**FIDUCIARY FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**SCHEDULE 8**

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>TRS &amp; THIS FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,513	\$ 118,097	\$ 117,411	\$ 3,199
Accounts receivable	217	192	217	192
Due from other governments	528	-	528	-
<b>TOTAL ASSETS</b>	<u>3,258</u>	<u>118,289</u>	<u>118,156</u>	<u>3,391</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	<u>3,258</u>	<u>118,289</u>	<u>118,156</u>	<u>3,391</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 3,258</u>	<u>\$ 118,289</u>	<u>\$ 118,156</u>	<u>\$ 3,391</u>