

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

**FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2011**

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	2	1
Repeated audit finding	-	-
Prior recommendations implemented or not repeated	1	2

SCHEDULE OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i>			
11-1	10	Controls Over Financial Statement Preparation	Significant Deficiency
11-2	12	Controls Over Journal Entries	Significant Deficiency
<i>FINDING AND RESPONSE (FEDERAL COMPLIANCE)</i>			
	13	None	
<i>PRIOR FINDING NOT REPEATED (GOVERNMENT AUDITING STANDARDS)</i>			
10-1	16	Improper Accounting of Interfund Transactions	
<i>PRIOR FINDING NOT REPEATED (FEDERAL COMPLIANCE)</i>			
		None	

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

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on May 22, 2012. Attending were:

Madison County Regional Office of Education No. 41

Dr. Robert Daiber, Regional Superintendent
Andrew Reinking, Assistant Regional Superintendent
Dennis Brueggemann, Administrative Assistant - Finance
Wanda Stoecklin, Bookkeeper
Ethel Henke, Office Manager

E. C. Ortiz & Co., LLP

Edilberto C. Ortiz, Partner
Leilani N. Rodrigo, Partner
Regina Y. Falcon, Manager

Responses to the recommendations were provided by Dr. Robert Daiber, Regional Superintendent in a letter dated May 10, 2012.

**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.



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, 2011, 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. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison County Regional Office of Education No. 41, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Madison County Regional Office of Education No. 41 adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended June 30, 2011. The statement changed the classifications of governmental fund balances and clarified the definitions of existing fund types. The adoption of this statement had no effect on any of the Madison County Regional Office of Education No. 41's governmental funds' assets or liabilities nor was there any effect to the total amount of any of the Madison County Regional Office of Education No. 41's governmental fund balances as of and for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 1, 2012 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.

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 17 through 24 and 62 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Madison County Regional Office of Education No. 41's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

C. C. Bixby & Co. LLP
Chicago, Illinois
June 1, 2012



**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, 2011, which collectively comprise the Madison County Regional Office of Education No. 41's basic financial statements and have issued our report thereon dated June 1, 2012. 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 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 the 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 findings 11-1 and 11-2 in the accompanying Schedule of Findings and Responses 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 them.

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.

C. C. Gliz & Co. LLP
Chicago, Illinois
June 1, 2012

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011

FINDING NO. 11-1 - Controls Over Financial Statement Preparation

Criteria/Specific Requirement:

The Madison County Regional Office of Education No. 41 (ROE No. 41) is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The ROE No. 41's internal controls over GAAP financial reporting should ensure GAAP based financial statements are free of material misstatements and include all reconciliations as required by the Governmental Accounting Standards Board (GASB).

Condition:

The ROE No. 41 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting and converts them to accrual basis at yearend. While the ROE No. 41 maintains controls over the processing of most accounting transactions and prepares the government-wide and governmental funds financial statements, there are not sufficient controls to ensure that the required reconciling items are properly calculated and completely presented in the FY 2011 government-wide financial statements.

During our review of the ROE No. 41's financial statements, we noted errors in reporting the following reconciling items:

- Net book value of capital assets not reported in the governmental funds balance sheet;
- Deferred revenues reported in the governmental funds balance sheet;
- Revenues in the Statement of Activities that do not provide current financial resources and were not reported as revenues in the governmental funds; and
- Net decrease in accrued compensated absences not reported as expenditure in the governmental funds.

Errors noted in the reconciliation of the (a) total governmental fund balances to net assets of governmental activities in the Statement of Net Assets and (b) total change in governmental fund balances to the change in net assets of governmental activities in the Statement of Activities were subsequently corrected in the ROE No. 41's financial statements.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

FINDING NO. 11-1 - Controls Over Financial Statement Preparation (Continued)

Effect:

Inadequate procedures for reconciling governmental funds statements to the government-wide financial statements could result in incomplete financial statements. Without the accurate and complete summary reconciliation, the financial statements would not be sufficient to allow users to assess the relationship between the governmental funds statements and the government-wide financial statements.

Cause:

According to the ROE No. 41 management, they were not aware of the complete GASB Statement No. 34 requirements, thus they were not able to identify and report all reconciling items.

Auditors' Recommendation:

As part of its internal control over the preparation of its financial statements, the ROE No. 41 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including the required summary reconciliations of the governmental funds statements to the government-wide financial statements, are complete and accurate.

Management's Response:

ROE No. 41 plans to establish greater internal controls over the financial reporting process. This internal control process will implement a comprehensive preparation and review procedure of financial statements. The role of the internal ROE auditor will be to review GASB Statement No. 34 requirements. The internal ROE auditor will likewise ensure that the required summary reconciliations of the governmental funds statements to the government-wide financial statements are properly completed.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

FINDING NO. 11-2 - Controls Over Journal Entries

Criteria/Specific Requirement:

The Regional Superintendent for the Madison County Regional Office of Education No. 41 (ROE No. 41) is responsible for establishing and maintaining an internal control system over journal entries to prevent risk of errors and fraud.

Condition:

ROE No. 41 management does not review and approve all journal entries. In addition, some journal entries were not documented on a journal entry form with supporting documentation.

Effect:

Errors or fraud that could be material to the financial statements may occur and not be detected in a timely manner by employees in the normal course of performing their assigned duties.

Cause:

According to the ROE No. 41 management, procedures for preparing and recording journal entries have not been consistently performed.

Auditors' Recommendation:

We recommend the Madison County ROE No. 41 ensure that all journal entries are consistently documented in a journal entry form with supporting documentation. Further, journal entries should be reviewed and approved by an individual who is independent of the journal entry process prior to posting in the general ledger.

Management's Response:

An approved journal entry form was adopted in September 2011. All FY 2012 journal entries are verified with supporting documentation. All journal entries are reviewed and approved by the Administrative Assistant for Finance who is independent of the journal entry process prior to posting in the general ledger.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
SCHEDULE OF FINDINGS AND RESPONSES
SECTION III - FEDERAL AWARD FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011**

FINDING NO. 11-1 - Controls Over Financial Statement Preparation

Condition:

The ROE No. 41 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting and converts them to accrual basis at yearend. While the ROE No. 41 maintains controls over the processing of most accounting transactions and prepares the government-wide and governmental funds financial statements, there are not sufficient controls to ensure that the required reconciling items are properly calculated and completely presented in the FY 2011 government-wide financial statements.

During our review of the ROE No. 41's financial statements, we noted errors in reporting the following reconciling items:

- Net book value of capital assets not reported in the governmental funds balance sheet;
- Deferred revenues reported in the governmental funds balance sheet;
- Revenues in the Statement of Activities that do not provide current financial resources and were not reported as revenues in the governmental funds; and
- Net decrease in accrued compensated absences not reported as expenditure in the governmental funds.

Errors noted in the reconciliation of the (a) total governmental fund balances to net assets of governmental activities in the Statement of Net Assets and (b) total change in governmental fund balances to the change in net assets of governmental activities in the Statement of Activities were subsequently corrected in the ROE No. 41's financial statements.

Plan:

ROE No. 41 plans to establish greater internal controls over the financial reporting process. This internal control process will implement a comprehensive preparation and review procedure of financial statements. The role of the internal ROE auditor will be to review GASB Statement No. 34 requirements. The internal ROE auditor will likewise ensure that the required summary reconciliations of the governmental funds statements to the government-wide financial statements are properly completed.

Anticipated Date of Completion:

June 15, 2012

Name of Contact Person:

Dr. Robert Daiber, Regional Superintendent of Schools, Madison County Regional Office of Education No. 41

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

FINDING NO. 11-2 - Controls Over Journal Entries

Condition:

ROE No. 41 management does not review and approve all journal entries. In addition, some journal entries were not documented on a journal entry form with supporting documentation.

Plan:

ROE No. 41 adopted an approved journal entry form. All FY 2012 journal entries have been verified with supporting documentation. All journal entries are reviewed and approved by the Administrative Assistant for Finance.

Anticipated Date of Completion:

October 1, 2011

Name of Contact Person:

Dr. Robert Daiber, Regional Superintendent of Schools, Madison County Regional Office of Education No. 41.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
JUNE 30, 2011**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
10-1	Improper Accounting of Interfund Transactions	Not Repeated

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

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, 2011. We encourage readers to consider the information presented here in conjunction with ROE No. 41's financial statements, which follow this section.

During fiscal year 2011, ROE No. 41 implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which required certain programs and funds to be reclassified and the restatement of beginning fund balances as detailed in Note 13 to the Financial Statements. Because of these reclassifications, the fund analysis is not comparable between fiscal year 2010 and fiscal year 2011.

2011 Financial Highlights

- The assets of the ROE No. 41 exceeded its liabilities by \$2,588,355 (total net assets). The total net assets increased by \$217,374 or 9.2%.
- Within the Governmental Funds, program revenues and general revenues from State and local sources decreased by \$86,394 in 2011. General State Aid (GSA) funding remained stable, while funding for Title I - School Improvement decreased in 2011.
- Charges for services for the business-type activities increased by \$59,615 in FY 2011. This resulted from increase in registration fees for workshops and technology trainings conducted during FY 2011.
- Total expenses for ROE No. 41 increased by \$39,054 despite reduced funding levels for some of the State funded programs.

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.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

- *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, Educational Therapy Center, and other non-major funds.

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.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

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 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 and Workshop 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.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

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.

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 2011 and FY 2010 totaled \$2,588,355 and \$2,370,981, 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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
ASSETS						
Current assets	\$2,337,188	\$2,693,135	\$ 621,848	\$ 521,324	\$2,959,036	\$3,214,459
Capital assets, net of depreciation	96,541	153,233	8,390	12,496	104,931	165,729
TOTAL ASSETS	2,433,729	2,846,368	630,238	533,820	3,063,967	3,380,188
Current liabilities	317,313	864,428	6,756	45,742	324,069	910,170
Noncurrent liabilities	151,543	99,037	-	-	151,543	99,037
TOTAL LIABILITIES	468,856	963,465	6,756	45,742	475,612	1,009,207
NET ASSETS						
Invested in capital assets, net of related debt	96,541	153,233	8,390	12,496	104,931	165,729
Restricted for educational Purposes	493,786	254,706	-	-	493,786	254,706
Unrestricted	1,374,546	1,474,964	615,092	475,582	1,989,638	1,950,546
TOTAL NET ASSETS	\$1,964,873	\$1,882,903	\$ 623,482	\$ 488,078	\$2,588,355	\$2,370,981

For FY 2011, total assets which is comprised mostly of cash and receivables, decreased by \$316,221 while total liabilities decreased by \$533,595. Both decreases 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 \$2,588,355 (net assets). The investment in net capital assets was \$104,931 at the end of fiscal year 2011. 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, 2011**

CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 184,173	\$ 1,177,855	\$ 316,691	\$ 257,076	\$ 500,864	\$1,434,931
Operating grants and contributions	1,406,469	1,811,782	–	–	1,406,469	1,811,782
General revenues:						
State sources	255,471	–	–	–	255,471	–
Local sources	1,071,976	14,846	–	–	1,071,976	14,846
Interest income	20,342	22,930	5,548	7,221	25,890	30,151
On-behalf payments - State	573,359	583,891	–	–	573,359	583,891
On-behalf payments - Local	717,880	576,762	–	–	717,880	576,762
Total revenues	<u>4,229,670</u>	<u>4,188,066</u>	<u>322,239</u>	<u>264,297</u>	<u>4,551,909</u>	<u>4,452,363</u>
Expenses:						
Salaries and benefits	1,932,601	2,186,860	87,101	87,785	2,019,702	2,274,645
Purchased services	561,522	430,264	99,069	93,275	660,591	523,539
Supplies and materials	95,937	106,278	25,467	8,680	121,404	114,958
Capital expenditures	39,550	34,091	–	–	39,550	34,091
Depreciation	77,050	97,591	4,106	4,205	81,156	101,796
Payments to other:						
Governments	113,810	77,267	–	–	113,810	77,267
Miscellaneous	7,083	8,532	–	–	7,083	8,532
On-behalf payments - State	573,359	583,891	–	–	573,359	583,891
On-behalf payments - Local	717,880	576,762	–	–	717,880	576,762
Total expenses	<u>4,118,792</u>	<u>4,101,536</u>	<u>215,743</u>	<u>193,945</u>	<u>4,334,535</u>	<u>4,295,481</u>
Income before other financing sources	110,878	86,530	106,496	70,352	217,374	156,882
Other financing sources (uses)						
Transfers in (out)	(28,908)	–	28,908	–	–	–
Change in net assets	81,970	86,530	135,404	70,352	217,374	156,882
Net assets, beginning	<u>1,882,903</u>	<u>1,796,373</u>	<u>488,078</u>	<u>417,726</u>	<u>2,370,981</u>	<u>2,214,099</u>
Net assets, ending	<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>

Governmental Activities

Total revenues for governmental activities increased by \$41,604 or 1% in fiscal year 2011. Program and general revenues received from federal, State and local sources decreased by \$86,394 (3%) from \$3,004,483 in FY 2010 to \$2,918,089 in FY 2011. This decrease was however offset by an increase in on-behalf payments by \$130,586 (11%) from \$1,160,653 in FY2010 to \$1,291,239 in FY 2011.

Total expenditures increased by \$17,256 or 0.4% in fiscal year 2011. The slight increase was mainly due to the increase in payment to contractors for both instructional and administrative activities.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

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 increase in total revenues by \$57,942 (22%) is a result of an increase in the number of workshops conducted during FY 2011. Expenditures likewise increased by \$21,798 (11%).

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 \$1,883,398. This is an increase of \$321,261 from last year's ending fund balance of \$1,562,137. The change in governmental funds is largely attributed to the revenues that were subsequently recognized only in FY 2011, but were actually due in FY 2010.

Proprietary Fund Highlights

The proprietary fund net assets increased by \$135,404 from \$488,078 at June 30, 2010 to \$623,482 at June 30, 2011. Most of this increase is mainly due to net revenues generated from increase in workshops and trainings conducted during FY 2011.

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.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Capital Assets

At June 30, 2011, the ROE No. 41 had invested \$104,931, net of accumulated depreciation, in computers, audio-visual equipment, and other office equipment. This is a net decrease of \$60,798 from last year. This decrease represents depreciation of \$81,156 and equipment additions of \$20,358.

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

Economic Factors and Next Year's Budget

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

- The ROE No. 41 has experienced an increase in the number of students being served by its school based programs. A slight increase 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 2012 is lower than the one for FY 2011. The decrease is due to declining attendance over the past years. With stable Safe School enrollment, 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 2012 due to the retirement of experienced employees at the end of FY 2011. There will be further employee retirements at the end of FY 2012.
- The ROE No. 41 anticipates a revenue increase in the Bus Driver Training Fund since the fee collected by the ROE increased by 50% on January 1, 2011. This is the first step of a three step phased in increase.
- The ROE No. 41 also anticipates a stable revenue source in the GED Testing Fund.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

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 Administrative Assistant of Finance 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, 2011

EXHIBIT A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,472,634	\$ 601,798	\$ 2,074,432
Investments	200,000	-	200,000
Due from other governments	664,554	20,050	684,604
Total current assets	<u>2,337,188</u>	<u>621,848</u>	<u>2,959,036</u>
Noncurrent assets:			
Capital assets, net	96,541	8,390	104,931
TOTAL ASSETS	<u>2,433,729</u>	<u>630,238</u>	<u>3,063,967</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	164,641	6,756	171,397
Due to other governments	37,198	-	37,198
Deferred revenues	115,474	-	115,474
Total current liabilities	<u>317,313</u>	<u>6,756</u>	<u>324,069</u>
Noncurrent liabilities:			
Compensated absences	39,610	-	39,610
Net OPEB obligation	111,933	-	111,933
Total noncurrent liabilities	<u>151,543</u>	<u>-</u>	<u>151,543</u>
TOTAL LIABILITIES	<u>468,856</u>	<u>6,756</u>	<u>475,612</u>
NET ASSETS			
Invested in capital assets, net of related debt	96,541	8,390	104,931
Restricted for educational purposes	493,786	-	493,786
Unrestricted	1,374,546	615,092	1,989,638
TOTAL NET ASSETS	<u>\$ 1,964,873</u>	<u>\$ 623,482</u>	<u>\$ 2,588,355</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, 2011

EXHIBIT B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contribution	Primary Government		Total
				Governmental Activities	Business-Type Activities	
FUNCTIONS/PROGRAMS						
Primary government						
Governmental activities:						
Instructional services						
Salaries	\$ 1,614,617	\$ 109,393	\$ 835,398	\$ (669,826)	\$ -	\$ (669,826)
Benefits	317,984	17,987	137,358	(162,639)	-	(162,639)
Purchased services	561,522	38,043	290,530	(232,949)	-	(232,949)
Supplies and materials	95,937	6,500	49,638	(39,799)	-	(39,799)
Capital expenditures	39,550	4,059	30,996	(4,495)	-	(4,495)
Miscellaneous	7,083	480	3,665	(2,938)	-	(2,938)
Payments to other governments	113,810	7,711	58,885	(47,214)	-	(47,214)
Depreciation	77,050	-	-	(77,050)	-	(77,050)
Administrative						
On-behalf payments - State	573,359	-	-	(573,359)	-	(573,359)
On-behalf payments - local	717,880	-	-	(717,880)	-	(717,880)
Total governmental activities	4,118,792	184,173	1,406,469	(2,528,150)	-	(2,528,150)
Business-type activities:						
Professional development	215,743	316,691	-	-	100,948	100,948
Total business-type activities	215,743	316,691	-	-	100,948	100,948
Total primary government	\$ 4,334,535	\$ 500,864	\$ 1,406,469	(2,528,150)	100,948	(2,427,202)
General revenues:						
State sources				255,471	-	255,471
Local sources				1,071,976	-	1,071,976
Interest				20,342	5,548	25,890
On-behalf payments - State				573,359	-	573,359
On-behalf payments - local				717,880	-	717,880
Transfers				(28,908)	28,908	-
Total general revenues and transfers				2,610,120	34,456	2,644,576
Change in net assets				81,970	135,404	217,374
Net assets - beginning				1,882,903	488,078	2,370,981
Net assets - ending				\$ 1,964,873	\$ 623,482	\$ 2,588,355

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, 2011**

EXHIBIT C

	General Fund	Education Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,137,905	\$ 77,470	\$ 257,259	\$ 1,472,634
Investments	100,000	-	100,000	200,000
Due from other funds	413,564	-	-	413,564
Due from other governments	45,423	615,049	4,082	664,554
TOTAL ASSETS	1,696,892	692,519	361,341	2,750,752
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	124,379	40,262	-	164,641
Due to other funds	-	413,564	-	413,564
Due to other governments	33,950	2,129	1,119	37,198
Deferred revenues	12,474	235,740	3,737	251,951
Total liabilities	170,803	691,695	4,856	867,354
FUND BALANCES				
Restricted	-	824	356,485	357,309
Assigned	932,457	-	-	932,457
Unassigned	593,632	-	-	593,632
Total fund balances	1,526,089	824	356,485	1,883,398
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,696,892	\$ 692,519	\$ 361,341	\$ 2,750,752

**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, 2011**

EXHIBIT D

Total fund balances - governmental funds	\$ 1,883,398
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.	96,541
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	136,477
Long-term liabilities such as compensated absences are not due and payable in the current period and therefore, are not reported in the funds.	(39,610)
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>(111,933)</u>
Net assets of governmental activities	<u><u>\$ 1,964,873</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

EXHIBIT E

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Education Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
REVENUES				
Federal sources	\$ -	\$ 428,341	\$ 25,408	\$ 453,749
State sources	255,471	1,079,585	3,228	1,338,284
Local sources	1,071,976	85,277	98,896	1,256,149
On-behalf payments - State	573,359	-	-	573,359
On-behalf payments - local	717,880	-	-	717,880
Total revenues	2,618,686	1,593,203	127,532	4,339,421
EXPENDITURES				
Instructional services				
Salaries	892,665	721,952	-	1,614,617
Benefits	156,791	108,418	269	265,478
Purchased services	140,829	358,001	62,692	561,522
Supplies and materials	57,527	32,157	6,253	95,937
Payments to other governments	-	91,575	22,235	113,810
Miscellaneous	6,183	-	900	7,083
On-behalf payments - State	573,359	-	-	573,359
On-behalf payments - local	717,880	-	-	717,880
Capital expenditures	20,358	39,490	60	59,908
Total expenditures	2,565,592	1,351,593	92,409	4,009,594
EXCESS OF REVENUES OVER EXPENDITURES	53,094	241,610	35,123	329,827
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(31,608)	2,700	-	(28,908)
Interest income	16,192	17	4,133	20,342
Total other financing sources (uses)	(15,416)	2,717	4,133	(8,566)
NET CHANGE IN FUND BALANCES	37,678	244,327	39,256	321,261
FUND BALANCES (DEFICIT), BEGINNING OF YEAR - RESTATED (See Note 13)	1,488,411	(243,503)	317,229	1,562,137
FUND BALANCES, END OF YEAR	\$ 1,526,089	\$ 824	\$ 356,485	\$ 1,883,398

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, 2011**

EXHIBIT F

Net change in fund balances		\$ 321,261
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Capital outlay	\$ 20,358	
Depreciation expense	<u>(77,050)</u>	(56,692)
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		(266,570)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds		136,477
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.		2,718
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.		<u>(55,224)</u>
Change in net assets of governmental activities		<u><u>\$ 81,970</u></u>

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, 2011**

EXHIBIT G

	Business-Type Activities - Enterprise Funds			
	Technology Hub Enterprise	Workshop	Nonmajor Enterprise Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 284,033	\$ 274,130	\$ 43,635	\$ 601,798
Due from other governments	11,405	8,645	-	20,050
Total current assets	<u>295,438</u>	<u>282,775</u>	<u>43,635</u>	<u>621,848</u>
Noncurrent assets:				
Capital assets, net	<u>7,805</u>	<u>585</u>	<u>-</u>	<u>8,390</u>
TOTAL ASSETS	<u>303,243</u>	<u>283,360</u>	<u>43,635</u>	<u>630,238</u>
LIABILITIES				
Accounts payable and accrued expenses	<u>2,731</u>	<u>3,199</u>	<u>826</u>	<u>6,756</u>
NET ASSETS				
Invested in capital assets, net of related debt	7,805	585	-	8,390
Unrestricted	<u>292,707</u>	<u>279,576</u>	<u>42,809</u>	<u>615,092</u>
TOTAL NET ASSETS	<u>\$ 300,512</u>	<u>\$ 280,161</u>	<u>\$ 42,809</u>	<u>\$ 623,482</u>

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 REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011**

EXHIBIT H

	Business-Type Activities - Enterprise Funds			
	Technology Hub Enterprise	Workshop	Nonmajor Enterprise Fund	Total
OPERATING REVENUES				
Charges for services	\$ 169,304	\$ 135,448	\$ 11,939	\$ 316,691
OPERATING EXPENSES				
Salaries	30,090	46,397	-	76,487
Benefits	3,405	7,209	-	10,614
Purchased services	48,428	50,272	369	99,069
Supplies and materials	20,364	4,480	623	25,467
Depreciation	3,954	152	-	4,106
Total operating expenses	<u>106,241</u>	<u>108,510</u>	<u>992</u>	<u>215,743</u>
OPERATING INCOME	63,063	26,938	10,947	100,948
NONOPERATING REVENUES				
Transfers in (out)	-	(2,700)	31,608	28,908
Interest	2,077	3,217	254	5,548
Total nonoperating revenues	<u>2,077</u>	<u>517</u>	<u>31,862</u>	<u>34,456</u>
CHANGE IN NET ASSETS	65,140	27,455	42,809	135,404
NET ASSETS, BEGINNING OF YEAR	<u>235,372</u>	<u>252,706</u>	<u>-</u>	<u>488,078</u>
NET ASSETS, END OF YEAR	<u>\$ 300,512</u>	<u>\$ 280,161</u>	<u>\$ 42,809</u>	<u>\$ 623,482</u>

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, 2011**

EXHIBIT I

	Business-Type Activities - Enterprise Funds			
	Technology Hub Enterprise	Workshop	Nonmajor Enterprise Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for workshops and services	\$ 191,421	\$ 132,263	\$ 11,939	\$ 335,623
Payments to suppliers and providers of goods and services	(108,424)	(54,932)	(166)	(163,522)
Payments to employees	(33,495)	(53,606)	-	(87,101)
Net cash provided by operating activities	<u>49,502</u>	<u>23,725</u>	<u>11,773</u>	<u>85,000</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:				
Cash transfers from (to) other funds	-	(2,700)	31,608	28,908
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>(2,700)</u>	<u>31,608</u>	<u>28,908</u>
CASH FLOWS FROM INVESTING ACTIVITY:				
Interest	2,077	3,217	254	5,548
Net cash provided by investing activity	<u>2,077</u>	<u>3,217</u>	<u>254</u>	<u>5,548</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	51,579	24,242	43,635	119,456
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>232,454</u>	<u>249,888</u>	<u>-</u>	<u>482,342</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 284,033</u>	<u>\$ 274,130</u>	<u>\$ 43,635</u>	<u>\$ 601,798</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 63,063	\$ 26,938	\$ 10,947	\$ 100,948
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	3,954	152	-	4,106
Effects of changes in assets and liabilities:				
Due from other governments	22,117	(3,185)	-	18,932
Accounts payable and accrued expenses	(39,632)	(180)	826	(38,986)
Net cash provided by operating activities	<u>\$ 49,502</u>	<u>\$ 23,725</u>	<u>\$ 11,773</u>	<u>\$ 85,000</u>

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, 2011**

EXHIBIT J

ASSETS

Cash and cash equivalents	\$	2,513
Accounts receivable		217
Due from other governments		<u>528</u>
TOTAL ASSETS		<u><u>3,258</u></u>

LIABILITIES

Accounts payable and accrued expenses		<u>3,258</u>
TOTAL LIABILITIES	\$	<u><u>3,258</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, 2011

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.

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, 2011

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 Illinois State Board of Education (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, 2011, 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.

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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

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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

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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.

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:

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.

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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).

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.

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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 by law or administrative action 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 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 - School Improvement - Accounts for grant monies received for, and payment of, expenditures of the Title I - School Improvement and Accountability grant. This fund assists school districts in planning, professional development, data analysis and in implementing school improvement and corrective action.

Title I - Reading First Technical Assistance - Accounts for grant monies received for, and payment of, expenditures for the technical assistance activities for an Early Reading Specialist.

Title I - Reading First Part B SEA - Accounts for grant monies received for, and payment of, expenditures of the Reading First grant. The program

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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.

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 I - School Improvement - Accounts for grant monies received for, and payment of, expenditures used to minimize the impact of school improvement budget cuts at the state level. This is funded by the American Reinvestment and Recovery Act (ARRA). This fund assists school districts who have not met adequate yearly progress (AYP) in planning, professional development, data analysis and in implementing school improvement and corrective action in order to improve instruction in an effort to meet AYP in subsequent years.

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 ARRA.

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 web-site's survey and data collection tools to realign with new core standards at the state and national level.

Technology Hub - Accounts for monies received for, and payment of, expenditures for the Technology for Success grant. The program provides

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a coordinated, State-wide 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.

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.

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.

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.

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

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 and nonmajor enterprise funds:

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

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

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Nonmajor Enterprise Fund - Nonmajor enterprise fund consist of:

ROE Administrative - Enterprise - 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 Supplement - 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:

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: Truants Alternative and Optional Education Project, Vocational Adjustment Counselor, Title I - Reading First Part B SEA, Gifted Education, School Improvement and ETC Lunch Program. The following funds are restricted by Illinois Statute: General Education Development, Bus Driver Training and Institute Fund.

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 and ETC Unemployment Reserve.

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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, Feasibility Study 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.

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
 - Teacher & Administrators Mentoring Program
 - ARRA - Title I - School Improvement
 - Striving Readers
 - Technology Hub
 - School Improvement

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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 Investments

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.

K. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

L. 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, 2011 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.

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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.

M. New Accounting Pronouncements

In 2011, the ROE No. 41 implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, GASB Statement No. 59, *Financial Instruments Omnibus*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The ROE No. 41 implemented these standards during the current year, however, GASB Statements No. 59 and 62 had no impact on the financial statements. The implementation of GASB Statement No. 54 changed fund balance reporting for governmental funds by adding some additional fund balance classifications, clarifying governmental fund type definitions, and providing additional disclosures on how fund balance constraints are imposed and may be modified or eliminated.

N. 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.

O. 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 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

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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 INVESTMENTS

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 \$2,052,776 and \$2,513, respectively, and the bank balances were \$2,215,893 and \$2,513, 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, 2011. Of the total bank balances as of June 30, 2011, \$500,000 was secured by federal depository insurance and \$1,718,406 was collateralized by securities pledged by the financial institution's trust department in the name of the ROE No. 41.

Investments

The ROE No. 41 does not have a formal investment policy. The ROE No. 41 is allowed to invest in securities as authorized by the State of Illinois Public Funds Investment Act. This includes, certain obligations of the U.S. Treasury, federal agencies and instrumentalities; certificates of deposit and time deposits covered by Federal depository insurance; commercial paper of U.S. corporations with assets exceeding \$500,000,000, if such paper is rated at the highest classification established by at least two standard rating services; money market funds and the Illinois Funds.

As of June 30, 2011, the ROE No. 41 had investments with carrying and fair values as follows:

Investment Type	Carrying Amount	Fair Value
Certificates of deposit	\$ 200,000	\$ 200,000
Illinois Funds money market fund	21,656	21,656
Total	\$ 221,656	\$ 221,656

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The ROE No. 41 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Credit Risk

The ROE No. 41 is allowed to invest in securities as authorized by the State of Illinois Public Funds Investment Act (30 ILCS 235/2 and 6); and Section 8-7 of the School Code. The ROE No. 41 has no investment policy that would further limit its investment choices. As of June 30, 2011, the ROE's investment in the Illinois Funds Money Market Fund was rated AAA by Standard & Poor's.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a financial institution, the Regional Office of Education will not be able to recover its investments or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2011, the ROE's investments are fully collateralized.

Concentration of Credit Risk

The ROE No. 41 places no limit on the amount invested or deposited to any particular bank. All of the ROE's certificates of deposit totaling \$200,000 are deposited to a local bank.

NOTE 3 - CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2011 are as follows:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
GOVERNMENTAL FUNDS				
Equipment	\$ 914,486	\$ 20,358	\$ -	\$ 934,844
Less: accumulated depreciation	761,253	77,050	-	838,303
Capital assets, net	<u>\$ 153,233</u>	<u>(56,692)</u>	<u>\$ -</u>	<u>\$ 96,541</u>
PROPRIETARY FUNDS				
Equipment	\$ 23,029	\$ -	\$ -	\$ 23,029
Less: accumulated depreciation	10,533	4,106	-	14,639
Capital assets, net	<u>\$ 12,496</u>	<u>\$ (4,106)</u>	<u>\$ -</u>	<u>\$ 8,390</u>

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Depreciation expense for the year ended June 30, 2011 amounted to \$77,050, was charged to instructional services function under governmental activities.

NOTE 4 - COMPENSATED ABSENCES

The ROE No. 41 records a liability associated with compensated absences. During the FY 2011, the amount in this account decreased by \$2,718. At June 30, 2011, the balance in this account was \$39,610.

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
Compensated absences	\$ 42,328	\$ 5,451	\$ 8,169	\$ 39,610

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, 2011 is as follows:

Regional Superintendent salary	\$ 100,762
Regional Superintendent benefits (includes State paid insurance)	24,913
Assistant Regional Superintendent salary	90,686
Assistant Regional Superintendent benefits (includes State paid insurance)	24,321
TRS pension contributions	322,091
THIS OPEB contributions	10,585
Salaries of office workers paid by the Madison County	557,750
Rent of office space	19,800
Madison County's share in health insurance contributions	53,649
Madison County's share in retirement contributions	86,682
Total	\$ 1,291,239

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.

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NOTE 6 - INTERFUND TRANSFERS

(a) Due From (To) Other Funds

As of June 30, 2011, amounts due from (to) other funds consist of the following:

Fund	Due From Other Funds	Due To Other Funds
General Fund - General State Aid	\$ 413,564	\$ —
Education Fund - Truants Alternative and Optional Education Project	—	46,336
Education Fund - Vocational Adjustment Counselor	—	74,311
Education Fund - Regional Safe Schools	—	77,414
Education Fund - ARRA - Title I - School Improvement	—	38,309
Education Fund - Portal Database Development	—	2,660
Education Fund - Technology Hub	—	125,206
Education Fund - School Improvement	—	49,328
Total	<u>\$ 413,564</u>	<u>\$ 413,564</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 2011 is as follows:

Fund	Transfers-in	Transfers-out
General Fund - ROE Administrative	\$ —	\$ 31,608
General Fund - General State Aid	—	42,376
General Fund - Suspension Temporary Option Program	42,376	—
Education Fund - Title I - School Improvement	2,700	—
Enterprise Fund - Workshop	—	2,700
Enterprise Fund - ROE Administrative - Enterprise	31,608	—
Total	<u>\$ 76,684</u>	<u>\$ 76,684</u>

In FY 2011, the ROE No. 41 made interfund transfers to move a portion of unrestricted funds from the ROE administrative fund, general state aid fund and the workshop fund to finance various operating expenditures accounted for in other funds.

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NOTE 7 - DUE FROM (TO) OTHER GOVERNMENTS

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

Due from Other Governments:

Illinois State Board of Education	\$	528,839
Illinois Department of Human Services		94,756
Local school districts		56,009
Other governmental units		5,528
		5,528
Total	\$	685,132

Due to Other Governments:

Illinois State Board of Education	\$	37,198
		37,198

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 No. 41 employees. These non-administrative employees are classified under "Other Education" below.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Membership. At November 30, 2010 (the County’s fiscal year end), membership consisted of:

	Education Admin	Other Education	Total
Active participants	9	29	38
Retired participants	1	5	6
Total	10	34	44

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. As of November 30, 2009 the County has chosen not to fund the 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
JUNE 30, 2011

Components of Net OPEB Obligation and Expense

Item	Amount as of 11/30/2010		
	Education Admin	Other Education	Total
Annual Required Contribution	\$ 14,718	\$ 50,948	\$ 65,666
Interest on Net OPEB obligation	478	2,357	2,835
Adjustment to annual required contribution	(593)	(2,921)	(3,514)
Annual OPEB cost (expense)	14,603	50,384	64,987
Contributions made	(5,618)	(4,145)	(9,763)
Increase in net OPEB obligation	8,985	46,239	55,224
Net OPEB obligation - beginning of year	9,564	47,145	56,709
Net OPEB obligation - end of year	\$ 18,549	\$ 93,384	\$ 111,933

Schedule of Contributions, OPEB Costs and Net Obligations

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
11/30/10	\$ 64,987	15.0%	\$ 111,933

Funded Status and Funding Progress. As of November 30, 2010 (the County's fiscal year end), the actuarial accrued liability for benefits was \$605,341. The covered payroll was approximately \$1,875,787, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 32%.

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, 2010, 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. A discount (interest) rate of 5% was used as well as a salary progression rate of 3.5% per year.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Schedule of Funded Status and Funding Progress

	Education Admin	Other Education	Total
Actuarial Accrued Liability (AAL)	\$ 148,329	\$ 457,012	\$ 605,341
Actuarial Value of Assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 148,329	\$ 457,012	\$ 605,341
Funded Ratio	0%	0%	0%
Covered Payroll (Active Plan Members)	\$ 297,754	\$ 1,578,033	\$ 1,875,787
UAAL as a % of Covered Payroll	49%	29%	32%

(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 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. The director of HFS determines the rates and premiums for annuitants and dependent beneficiaries and establishes the cost-sharing parameters. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to the TRS who are not employees of the State make a contribution to THIS Fund.

The percentage of employer required contributions in the future will be determined by the director of HFS and 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, 2011. The State of Illinois contributions were \$10,585, and the ROE No. 41 recognized revenue and expenditures of this amount during the year. State contributions intended to match

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

active member contributions during the year ended June 30, 2010 were 0.88 percent of pay. State contributions on behalf of ROE No. 41 for the year ended June 30, 2010 was \$12,200. Had the ROE No. 41 recognized revenue and expenditures for State contributions intended to match active member contributions during the years ended June 30, 2009 under the current standards, the contribution match would have been 0.84 percent of pay or \$15,553.

- **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 year ended June 30, 2011, and 0.63 percent during the years ended June 30, 2010, and June 30, 2009. For the year ended June 30, 2011, the ROE No. 41 paid \$7,939 to the THIS Fund. For the years ended June 30, 2010 and June 30, 2009, the ROE No. 41 paid \$7,956 and \$10,459 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, 2011, 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, 2010 and 2009.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

- **On-behalf contributions.** The State of Illinois makes employer pension contributions on-behalf of the ROE No. 41. For the year ended June 30, 2011, the State of Illinois contributions were based on 23.10 percent of creditable earnings not paid from federal funds, and the ROE No. 41 recognized revenue and expenditures of \$322,091 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2010 and June 30, 2009, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 23.38 percent (\$339,577) and 17.08 percent (\$283,542), 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, 2011 were \$6,977. Contributions for the years ended June 30, 2010, and June 30, 2009, were \$7,325 and \$8,518, 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, 2011, the employer pension contribution was 23.10 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2010 and 2009, the employer pension contribution was 23.38 and 17.08 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2011, no salaries were paid from federal and special trust funds. For the years ended June 30, 2010 and 2009, required ROE No. 41 contributions were \$23,072 and \$23,494, 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.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

For the year ended June 30, 2011, the ROE No. 41 paid \$0 to TRS for employer contributions under the ERO program. For the years ended June 30, 2010 and June 30, 2009, 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 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, 2011, 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, 2010 and 2009, 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 used to calculate final average salary, and the TRS total normal cost rate (18.03 percent of salary during the year ended June 30, 2011, as recertified pursuant to Public Act 96-1511). For the year ended June 30, 2011, 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, 2010 and 2009, 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, 2010. The report for the year ended June 30, 2011 is expected to be available in late 2011. 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 \$8,985 are recorded as county on-behalf payments.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10 - DEFICIT FUND BALANCE

The following funds have deficit fund balances as of June 30, 2011:

General Fund:	
Feasibility Study	\$ 4,500
Suspension Temporary Option Program (STOP)	8,736
Education Fund:	
Regional Safe Schools	\$ 7,513
Technology Hub	9,604
	<hr/>
Total	<u>\$ 30,353</u>

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

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, 2011, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past four years.

NOTE 12 - OPERATING LEASES

The ROE No. 41 is committed under lease agreements with the Madison County for a school facility for the ROE No. 41’s Safe Schools, ETC and STOP programs located in Troy, Il and an office space for the School Improvement and Technology Hub programs located in Clay Street, Edwardsville, Il. The lease agreements are considered operating leases for accounting purposes.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

The lease agreement for the school facility has a term of 50 years beginning July 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 \$1.00 annually. Total lease expense for this facility for the year ended June 30, 2011 amounted to \$35,000.

The lease agreement for the office space was for a period of 1 year beginning September 1, 1997, with an option for yearly renewals. The lease requires \$24,000 annually, payable semi-annually. Beginning in January 2011, the Madison County waived the ROE No. 41's semi-annual lease payments for the office space. Lease expense for the year ended June 30, 2011 amounted to \$12,000.

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
2012	\$ 35,000
2013	35,000
2014	35,000
2015	35,000
2016 – 2017	45,000
Total	\$ 185,000

NOTE 13 - RECLASSIFICATION

As a result of implementing GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, at June 30, 2011, Technology Hub and School Improvement have been reclassified from the General Fund to the Education Fund. These funds have been historically reported in the General Fund. However, because funding for these programs are governed by grant agreement with the grantor, the funding are restricted and are required to be reported as special revenue funds. The General State Aid, Feasibility Study, Longitudinal Data System, Suspension Temporary Option Program, and World War II Veterans Program were reclassified to the general fund because they do not meet the definition of a special revenue fund.

The Lighthouse Educational Assistance Program (LEAP) and certain funds under the Educational Therapy Center (ETC) such as the ETC Day Program and ETC Unemployment Reserve, have been previously reported as special revenue funds. At June 30, 2011, these funds have been reclassified under the general fund because they do not meet the definition of a special revenue fund.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

The reclassifications had the following effect on the beginning fund balance for the general fund, education funds, and nonmajor special revenue funds.

	General Fund
Fund Balance, July 1, 2010	\$ (76,924)
Reclassification of Technology Hub	85,640
Reclassification of School Improvement	31,126
Reclassification of General State Aid	692,039
Reclassification of Lighthouse Educational Assistance Program	445,139
Reclassification of ETC Day Program	148,298
Reclassification of ETC Unemployment Reserve	170,593
Reclassification of Suspension Temporary Option Program	(7,500)
Beginning Fund Balance, July 1, 2010, Reclassified	\$ 1,488,411
	Education Fund
Fund Balance, July 1, 2010	\$ 565,302
Reclassification of Technology Hub	(85,640)
Reclassification of School Improvement	(31,126)
Reclassification of General State Aid	(692,039)
Beginning Fund Balance, July 1, 2010, Reclassified	\$ (243,503)
	Nonmajor Special Revenue Funds
Fund Balance, July 1, 2010	\$ 33,030
Reclassification of Suspension Temporary Option Program	7,500
Reclassification of ETC Lunch Program	21,993
Reclassification of Institute Fund	254,706
Beginning Fund Balance, July 1, 2010, Reclassified	\$ 317,229

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011**

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

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

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

Fiscal Year Ended	Employer Contributions	Annual Required Contributions (ARC)	Percentage Contributed
11/30/09	\$ 8,957	\$ 65,666	13.64%
11/30/10	9,763	64,987	15.02%

SUPPLEMENTARY INFORMATION

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
 GENERAL FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2011

SCHEDULE 1

	ROE		Lighthouse Educational Assistance Program		Feasibility Study
	Administrative	Fingerprinting	General State Aid	Assistance Program	
ASSETS					
Cash and cash equivalents	\$ -	\$ 15,002	\$ 117,284	\$ 439,022	\$ -
Investments	-	-	100,000	-	-
Due from other funds	-	-	413,564	-	-
Due from other governments	-	4,756	-	14,365	4,500
TOTAL ASSETS	-	19,758	630,848	453,387	4,500
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	-	-	23,980	36,665	4,500
Due to other governments units	-	-	-	-	-
Deferred revenues	-	-	-	-	4,500
Total liabilities	-	-	23,980	36,665	9,000
FUND BALANCES (DEFICIT)					
Assigned	-	19,758	-	416,722	-
Unassigned	-	-	606,868	-	(4,500)
Total fund balances (deficit)	-	19,758	606,868	416,722	(4,500)
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 19,758	\$ 630,848	\$ 453,387	\$ 4,500

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
GENERAL FUND
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2011

SCHEDULE 1
(CONTINUED)

	Longitudinal Data System	ETC Day Program	ETC Unemployment Reserve	Suspension Temporary Option Program	World War II Veterans Program	Total
ASSETS						
Cash and cash equivalents	\$ 33,950	\$ 350,997	\$ 173,169	\$ -	\$ 8,481	\$ 1,137,905
Investments	-	-	-	-	-	100,000
Due from other funds	-	-	-	-	-	413,564
Due from other governments	-	21,741	-	61	-	45,423
TOTAL ASSETS	33,950	372,738	173,169	61	8,481	1,696,892
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenses	-	49,930	-	8,797	507	124,379
Due to other governments units	33,950	-	-	-	-	33,950
Deferred revenues	-	-	-	-	7,974	12,474
Total liabilities	33,950	49,930	-	8,797	8,481	170,803
FUND BALANCES (DEFICIT)						
Assigned	-	322,808	173,169	-	-	932,457
Unassigned	-	-	-	(8,736)	-	593,632
Total fund balances (deficit)	-	322,808	173,169	(8,736)	-	1,526,089
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,950	\$ 372,738	\$ 173,169	\$ 61	\$ 8,481	\$ 1,696,892

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, 2011

	ROE		Lighthouse Educational Assistance Program		Feasibility Study
	Administrative	Fingerprinting	General State Aid	Assistance Program	
REVENUES					
State sources	\$ -	\$ -	232,264	\$ -	7,000
Local sources	-	45,249	-	328,630	-
On-behalf payments - State	573,359	-	-	-	-
On-behalf payments - local	681,986	-	8,471	10,804	-
Total revenues	1,255,345	45,249	240,735	339,434	7,000
EXPENDITURES					
Salaries	-	-	181,581	288,725	-
Benefits	-	-	33,202	47,914	-
Purchased services	-	33,776	32,273	14,978	11,500
Supplies and materials	-	-	17,996	3,455	-
Miscellaneous	-	25	5,474	560	-
On-behalf payments - State	573,359	-	-	-	-
On-behalf payments - local	681,986	-	8,471	10,804	-
Capital expenditures	-	-	11,543	5,883	-
Total expenditures	1,255,345	33,801	290,540	372,319	11,500
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	11,448	(49,805)	(32,885)	(4,500)
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	(31,608)	-	(42,376)	-	-
Interest income	-	76	7,010	4,468	-
Total other financing sources (uses)	(31,608)	76	(35,366)	4,468	-
NET CHANGE IN FUND BALANCES	(31,608)	11,524	(85,171)	(28,417)	(4,500)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR - RESTATED (See Note 13)	31,608	8,234	692,039	445,139	-
FUND BALANCES, END OF YEAR	\$ -	\$ 19,758	\$ 606,868	\$ 416,722	\$ (4,500)

**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, 2011**

	Longitudinal Data System	ETC Day Program	ETC Unemployment Reserve	Suspension Temporary Option Program	World War II Veterans Program	Total
REVENUES						
State sources	\$ 16,207	\$ -	\$ -	\$ -	\$ -	\$ 255,471
Local sources	-	637,585	-	19,561	40,951	1,071,976
On-behalf payments - State	-	-	-	-	-	573,359
On-behalf payments - local	-	16,619	-	-	-	717,880
Total revenues	16,207	654,204	-	19,561	40,951	2,618,686
EXPENDITURES						
Salaries	-	362,931	-	53,993	5,435	892,665
Benefits	-	65,618	-	9,180	877	156,791
Purchased services	16,207	19,313	-	-	12,782	140,829
Supplies and materials	-	16,937	-	-	19,139	57,527
Miscellaneous	-	124	-	-	-	6,183
On-behalf payments - State	-	-	-	-	-	573,359
On-behalf payments - local	-	16,619	-	-	-	717,880
Capital expenditures	-	-	-	-	2,932	20,358
Total expenditures	16,207	481,542	-	63,173	41,165	2,565,592
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	172,662	-	(43,612)	(214)	53,094
OTHER FINANCING SOURCES (USES)						
Transfers in (out)	-	-	-	42,376	-	(31,608)
Interest income	-	1,848	2,576	-	214	16,192
Total other financing sources (uses)	-	1,848	2,576	42,376	214	(15,416)
NET CHANGE IN FUND BALANCES	-	174,510	2,576	(1,236)	-	37,678
FUND BALANCES (DEFICIT), BEGINNING OF YEAR - RESTATED (See Note 13)	-	148,298	170,593	(7,500)	-	1,488,411
FUND BALANCES, END OF YEAR	\$ -	\$ 322,808	\$ 173,169	\$ (8,736)	\$ -	\$ 1,526,089

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2011

	Truants Alternative and Optional Education Project	Vocational Adjustment Counselor	Regional Safe Schools	Title I - School Improvement	Title I - Reading First Technical Assistance
ASSETS					
Cash and cash equivalents	\$ -	\$ 2,317	\$ -	\$ 697	\$ 56
Due from other governments	46,880	94,756	104,238	-	-
TOTAL ASSETS	46,880	97,073	104,238	697	56
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	-	6,445	16,964	-	-
Due to other funds	46,336	74,311	77,414	-	-
Due to other governments	496	-	-	697	56
Deferred revenues	-	-	17,373	-	-
Total liabilities	46,832	80,756	111,751	697	56
FUND BALANCES (DEFICIT)					
Restricted	48	16,317	-	-	-
Unassigned	-	-	(7,513)	-	-
Total fund balances (deficit)	48	16,317	(7,513)	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 46,880	\$ 97,073	\$ 104,238	\$ 697	\$ 56

**SCHEDULE 3
(CONTINUED)**

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
EDUCATION FUND
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2011**

	Title I - Reading First Part B SEA	McKinney - Vento Homeless Children	Gifted Education	Teacher & Administrators Mentoring Program	ARRA - Title I - School Improvement
Cash and cash equivalents	792	28,156	308	5,500	-
Due from other governments	-	-	-	14,704	38,309
TOTAL ASSETS	792	28,156	308	20,204	38,309

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable and accrued expenses	-	-	-	-	-
Due to other funds	-	-	-	-	38,309
Due to other governments	787	-	38	-	-
Deferred revenues	-	28,156	-	20,204	-
Total liabilities	787	28,156	38	20,204	38,309

FUND BALANCES (DEFICIT)

Restricted	5	-	270	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	5	-	270	-	-

TOTAL LIABILITIES AND FUND BALANCES

	792	28,156	308	20,204	38,309
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MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2011

SCHEDULE 3
 (CONTINUED)

	ARRA -						Total
	Education Jobs Fund Project	Striving Readers	Portal Database Development	Technology Hub	School Improvement		
ASSETS							
Cash and cash equivalents	\$ -	\$ 39,644	\$ -	\$ -	\$ -	\$ -	\$ 77,470
Due from other governments	-	-	110,160	147,480	58,522		615,049
TOTAL ASSETS	-	39,644	110,160	147,480	58,522		692,519
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued expenses	-	1,717	-	7,243	7,893		40,262
Due to other funds	-	-	2,660	125,206	49,328		413,564
Due to other governments	-	-	-	55	-		2,129
Deferred revenues	-	37,927	107,500	24,580	-		235,740
Total liabilities	-	39,644	110,160	157,084	57,221		691,695
FUND BALANCES (DEFICIT)							
Restricted	-	-	-	-	1,301		17,941
Unassigned	-	-	-	(9,604)	-		(17,117)
Total fund balances (deficit)	-	-	-	(9,604)	1,301		824
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 39,644	\$ 110,160	\$ 147,480	\$ 58,522	\$ -	\$ 692,519

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, 2011

	Truants Alternative and Optional Education Project	Vocational Adjustment Counselor	Regional Safe Schools	Title I - School Improvement	Title I - Reading First Technical Assistance
REVENUES					
Federal sources	\$ -	\$ 116,569	\$ -	\$ -	\$ -
State sources	65,616	16,000	297,441	-	-
Local sources	-	85,277	-	-	-
Total revenues	65,616	217,846	297,441	-	-
EXPENDITURES					
Salaries	38,740	154,310	138,025	-	-
Benefits	1,039	31,724	14,370	-	-
Purchased services	6,117	19,944	3,713	-	-
Supplies and materials	488	3,593	-	-	-
Payments to other governments	-	-	35,000	-	-
Capital expenditures	-	-	-	-	-
Total expenditures	46,384	209,571	191,108	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,232	8,275	106,333	-	-
OTHER FINANCING SOURCES					
Transfer in	-	-	-	2,700	-
Interest income	-	10	-	-	-
Total other financing sources	-	10	-	2,700	-
NET CHANGE IN FUND BALANCES	19,232	8,285	106,333	2,700	-
FUND BALANCES (DEFICIT), BEGINNING OF YEAR - RESTATED (See Note 13)	(19,184)	8,032	(113,846)	(2,700)	-
FUND BALANCES (DEFICIT), END OF YEAR	\$ 48	\$ 16,317	\$ (7,513)	\$ -	\$ -

**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, 2011**

**SCHEDULE 4
(CONTINUED)**

	Title I - Reading First Part B SEA	McKinney - Vento Homeless Children	Gifted Education	Teacher & Administrators Mentoring Program	ARRA - Title I - School Improvement
REVENUES					
Federal sources	\$ 69,950	\$ 18,614	\$ -	\$ -	\$ 140,000
State sources	-	-	58,219	24,563	-
Local sources	-	-	-	-	-
Total revenues	69,950	18,614	58,219	24,563	140,000
EXPENDITURES					
Salaries	-	2,000	9,368	900	101,647
Benefits	-	-	1,132	173	11,942
Purchased services	66,644	6,155	47,430	23,022	26,411
Supplies and materials	3,306	10,459	982	468	-
Payments to other governments	-	-	-	-	-
Capital expenditures	-	-	-	-	-
Total expenditures	69,950	18,614	58,912	24,563	140,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(693)	-	-
OTHER FINANCING SOURCES					
Transfer in	-	-	-	-	-
Interest income	5	-	2	-	-
Total other financing sources	5	-	2	-	-
NET CHANGE IN FUND BALANCES	5	-	(691)	-	-
FUND BALANCES (DEFICIT), BEGINNING OF YEAR - RESTATED (See Note 13)	-	-	961	-	-
FUND BALANCES (DEFICIT), END OF YEAR	\$ 5	\$ -	\$ 270	\$ -	\$ -

**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, 2011**

**SCHEDULE 4
(CONTINUED)**

	ARRA -						
	Education Jobs Fund Project	Striving Readers	Portal Database Development	Technology Hub	School Improvement	Total	
REVENUES							
Federal sources	\$ 21,148	\$ 62,060	\$ -	\$ -	\$ -	\$ -	\$ 428,341
State sources	-	-	2,660	494,816	120,270	-	1,079,585
Local sources	-	-	-	-	-	-	85,277
Total revenues	<u>21,148</u>	<u>62,060</u>	<u>2,660</u>	<u>494,816</u>	<u>120,270</u>	<u>-</u>	<u>1,593,203</u>

EXPENDITURES							
Salaries	17,867	-	-	208,357	50,738	-	721,952
Benefits	3,281	-	-	34,708	10,049	-	108,418
Purchased services	-	62,060	2,660	78,315	15,530	-	358,001
Supplies and materials	-	-	-	1,335	11,526	-	32,157
Payments to other governments	-	-	-	56,575	-	-	91,575
Capital expenditures	-	-	-	39,490	-	-	39,490
Total expenditures	<u>21,148</u>	<u>62,060</u>	<u>2,660</u>	<u>418,780</u>	<u>87,843</u>	<u>-</u>	<u>1,351,593</u>

**EXCESS (DEFICIENCY) OF REVENUES
OVER EXPENDITURES**

	-	-	-	76,036	32,427	-	241,610
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OTHER FINANCING SOURCES

Transfer in	-	-	-	-	-	-	2,700
Interest income	-	-	-	-	-	-	17
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,717</u>

NET CHANGE IN FUND BALANCES

	-	-	-	76,036	32,427	-	244,327
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**FUND BALANCES (DEFICIT),
BEGINNING OF YEAR - RESTATED (See Note 13)**

	-	-	-	(85,640)	(31,126)	-	(243,503)
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FUND BALANCES (DEFICIT), END OF YEAR

	\$ -	\$ -	\$ -	\$ (9,604)	\$ 1,301	\$ -	\$ 824
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MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
 EDUCATION FUND ACCOUNTS
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2011

SCHEDULE 5

	Truants Alternative and Optional Education Project			Vocational Adjustment Counselor		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Federal sources	\$ -	\$ -	\$ -	\$ 116,569	\$ 116,569	\$ -
State sources	46,880	65,616	18,736	-	16,000	16,000
Local sources	-	-	-	-	85,277	85,277
Total revenues	46,880	65,616	18,736	116,569	217,846	101,277
EXPENDITURES						
Salaries	38,740	38,740	-	64,720	154,310	(89,590)
Benefits	1,042	1,039	3	39,799	31,724	8,075
Purchased services	6,573	6,117	456	3,000	19,944	(16,944)
Supplies and materials	525	488	37	9,050	3,593	5,457
Capital expenditures	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-
Total expenditures	46,880	46,384	496	116,569	209,571	(93,002)
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	19,232	\$ 19,232	\$ -	8,275	\$ 8,275
OTHER FINANCING SOURCES						
Interest income	-	-	-	-	10	10
NET CHANGE IN FUND BALANCES		19,232			8,285	
FUND BALANCES (DEFICIT), BEGINNING OF YEAR - RESTATED (See Note 13)		(19,184)			8,032	
FUND BALANCES (DEFICIT), END OF YEAR	\$	48		\$	16,317	

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
 EDUCATION FUND ACCOUNTS
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2011

SCHEDULE 5
 (CONTINUED)

	Regional Safe Schools		McKinney - Vento Homeless Children		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
REVENUES					
Federal sources	\$ -	\$ -	\$ -	\$ 18,614	\$ (28,052)
State sources	191,108	297,441	106,333	-	-
Local sources	-	-	-	-	-
Total revenues	191,108	297,441	106,333	18,614	(28,052)
EXPENDITURES					
Salaries	138,025	138,025	-	2,000	11,500
Benefits	14,370	14,370	-	-	-
Purchased services	3,713	3,713	-	8,919	2,764
Supplies and materials	-	-	-	24,247	13,788
Capital expenditures	-	-	-	-	-
Payments to other governments	35,000	35,000	-	-	-
Total expenditures	191,108	191,108	-	46,666	28,052
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	106,333	\$ 106,333	\$ -	\$ -
OTHER FINANCING SOURCES					
Interest income	-	-	-	-	-
NET CHANGE IN FUND BALANCES		106,333		-	
FUND BALANCES (DEFICIT), BEGINNING OF YEAR - RESTATED (See Note 13)		(113,846)		-	
FUND BALANCES (DEFICIT), END OF YEAR	\$ -	(7,513)	\$ -	\$ -	\$ -

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
 EDUCATION FUND ACCOUNTS
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2011

SCHEDULE 5
 (CONTINUED)

	Teacher & Administrators Mentoring Program		ARRA - Title I - School Improvement		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
REVENUES					
Federal sources	\$ -	\$ -	\$ -	\$ 140,000	\$ -
State sources	20,220	24,563	4,343	-	-
Local sources	-	-	-	-	-
Total revenues	20,220	24,563	4,343	140,000	-
EXPENDITURES					
Salaries	1,800	900	900	101,647	-
Benefits	224	173	51	11,942	7
Purchased services	13,280	23,022	(9,742)	26,404	(7)
Supplies and materials	2,291	468	1,823	-	-
Capital expenditures	-	-	-	-	-
Payments to other governments	2,625	-	2,625	-	-
Total expenditures	20,220	24,563	(4,343)	140,000	-
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -
OTHER FINANCING SOURCES					
Interest income	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-	-
FUND BALANCES (DEFICIT), BEGINNING OF YEAR - RESTATED (See Note 13)	-	-	-	-	-
FUND BALANCES (DEFICIT), END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
 EDUCATION FUND ACCOUNTS
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2011

SCHEDULE 5
 (CONTINUED)

	Striving Readers			Technology Hub			Variance Favorable (Unfavorable)
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
REVENUES							
Federal sources	\$ 99,987	\$ 62,060	\$ (37,927)	\$ -	\$ -	\$ -	-
State sources	-	-	-	295,000	494,816	199,816	199,816
Local sources	-	-	-	-	-	-	-
Total revenues	<u>99,987</u>	<u>62,060</u>	<u>(37,927)</u>	<u>295,000</u>	<u>494,816</u>	<u>199,816</u>	<u>199,816</u>
EXPENDITURES							
Salaries	2,320	-	2,320	214,731	208,357	6,374	6,374
Benefits	300	-	300	35,882	34,708	1,174	1,174
Purchased services	96,225	62,060	34,165	32,087	78,315	(46,228)	(46,228)
Supplies and materials	1,142	-	1,142	3,300	1,335	1,965	1,965
Capital expenditures	-	-	-	2,000	39,490	(37,490)	(37,490)
Payments to other governments	-	-	-	7,000	56,575	(49,575)	(49,575)
Total expenditures	<u>99,987</u>	<u>62,060</u>	<u>37,927</u>	<u>295,000</u>	<u>418,780</u>	<u>(123,780)</u>	<u>(123,780)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,036</u>	<u>\$ 76,036</u>	<u>\$ 76,036</u>
OTHER FINANCING SOURCES							
Interest income	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES							
	-	-	-	-	76,036	76,036	76,036
FUND BALANCES (DEFICIT), BEGINNING OF YEAR - RESTATED (See Note 13)							
	-	-	-		(85,640)	(85,640)	(85,640)
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ (9,604)</u>	<u>\$ (9,604)</u>	<u>\$ (9,604)</u>

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
 EDUCATION FUND ACCOUNTS
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2011

SCHEDULE 5
 (CONTINUED)

	School Improvement			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Federal sources	\$ -	\$ -	\$ -	\$ 403,222	\$ 337,243	\$ (65,979)
State sources	87,964	120,270	32,306	641,172	1,018,706	377,534
Local sources	-	-	-	-	85,277	85,277
Total revenues	<u>87,964</u>	<u>120,270</u>	<u>32,306</u>	<u>1,044,394</u>	<u>1,441,226</u>	<u>396,832</u>
EXPENDITURES						
Salaries	49,350	50,738	(1,388)	624,833	694,717	(69,884)
Benefits	14,144	10,049	4,095	117,710	104,005	13,705
Purchased services	13,600	15,530	(1,930)	203,801	241,267	(37,466)
Supplies and materials	10,870	11,526	(656)	51,425	27,869	23,556
Capital expenditures	-	-	-	2,000	39,490	(37,490)
Payments to other governments	-	-	-	44,625	91,575	(46,950)
Total expenditures	<u>87,964</u>	<u>87,843</u>	<u>121</u>	<u>1,044,394</u>	<u>1,198,923</u>	<u>(154,529)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>32,427</u>	<u>\$ 32,427</u>	<u>\$ -</u>	<u>242,303</u>	<u>\$ 242,303</u>
OTHER FINANCING SOURCES						
Interest income	-	-	-	-	10	10
NET CHANGE IN FUND BALANCES		32,427			242,313	
FUND BALANCES (DEFICIT), BEGINNING OF YEAR - RESTATED (See Note 13)		<u>(31,126)</u>			<u>(241,764)</u>	
FUND BALANCES (DEFICIT), END OF YEAR		<u>\$ 1,301</u>			<u>\$ 549</u>	

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41

SCHEDULE 6

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2011

	General Education Development	Bus Driver Training	Institute Fund	ETC Lunch Account Program	Total
ASSETS					
Cash and cash equivalents	\$ 48,177	\$ 10,418	\$ 176,036	\$ 22,628	\$ 257,259
Investments	-	-	100,000	-	100,000
Due from other governments	-	36	-	4,046	4,082
TOTAL ASSETS	48,177	10,454	276,036	26,674	361,341
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other governments	-	-	1,119	-	1,119
Deferred revenue	-	-	-	3,737	3,737
Total liabilities	-	-	1,119	3,737	4,856
FUND BALANCES					
Restricted	48,177	10,454	274,917	22,937	356,485
TOTAL LIABILITIES AND FUND BALANCES	\$ 48,177	\$ 10,454	\$ 276,036	\$ 26,674	\$ 361,341

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011**

SCHEDULE 7

	General Education Development	Bus Driver Training	Institute Fund	ETC Lunch Account Program	Total
REVENUES					
Federal sources	\$ -	\$ -	\$ -	\$ 25,408	\$ 25,408
State sources	-	2,027	-	1,201	3,228
Local sources	35,806	5,506	54,484	3,100	98,896
Total revenues	<u>35,806</u>	<u>7,533</u>	<u>54,484</u>	<u>29,709</u>	<u>127,532</u>
EXPENDITURES					
Salaries	-	-	-	-	-
Benefits	269	-	-	-	269
Purchased services	18,196	889	14,673	28,934	62,692
Supplies and materials	5,557	646	50	-	6,253
Payments to other governments	-	-	22,235	-	22,235
Miscellaneous	-	-	900	-	900
Capital expenditures	-	60	-	-	60
Total expenditures	<u>24,022</u>	<u>1,595</u>	<u>37,858</u>	<u>28,934</u>	<u>92,409</u>
EXCESS OF REVENUES OVER EXPENDITURES	11,784	5,938	16,626	775	35,123
OTHER FINANCING SOURCES					
Interest income	322	57	3,585	169	4,133
NET CHANGE IN FUND BALANCES	12,106	5,995	20,211	944	39,256
FUND BALANCES, BEGINNING OF YEAR - RESTATED (See Note 13)	36,071	4,459	254,706	21,993	317,229
FUND BALANCES, END OF YEAR	<u>\$ 48,177</u>	<u>\$ 10,454</u>	<u>\$ 274,917</u>	<u>\$ 22,937</u>	<u>\$ 356,485</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, 2011**

SCHEDULE 8

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
TRS & THIS FUND				
ASSETS				
Cash and cash equivalents	\$ 3,347	\$ 126,884	\$ 127,718	\$ 2,513
Accounts receivable	645	217	645	217
Due from other governments	1,403	-	875	528
TOTAL ASSETS	<u>5,395</u>	<u>127,101</u>	<u>129,238</u>	<u>3,258</u>
LIABILITIES				
Accounts payable and accrued expenses	2,035	127,101	125,878	3,258
Due to other governments	3,360	-	3,360	-
TOTAL LIABILITIES	<u>\$ 5,395</u>	<u>\$ 127,101</u>	<u>\$ 129,238</u>	<u>\$ 3,258</u>