

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

**FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2013**

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

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41

TABLE OF CONTENTS

	PAGE
OFFICIALS	1
FINANCIAL REPORT SUMMARY	2
FINANCIAL STATEMENT REPORT SUMMARY	4
 FINANCIAL SECTION	
Independent Auditors' Report	5
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	8
Schedule of Findings and Responses	10
Financial Statement Finding	11
Federal Award Findings	13
Corrective Action Plan for Current Year Audit Finding	14
Summary Schedule of Prior Audit Findings	15
Management's Discussion and Analysis	16
 EXHIBIT	
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	A 23
Statement of Activities	B 24
Fund Financial Statements	
Governmental Funds - Balance Sheet	C 25
Governmental Funds - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	D 26
Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances	E 27

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41

TABLE OF CONTENTS (CONTINUED)

	EXHIBIT	PAGE
BASIC FINANCIAL STATEMENTS (CONTINUED)		
Governmental Funds - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	F	28
Proprietary Funds - Statement of Net Position	G	29
Proprietary Funds - Statement of Revenues, Expenses and Changes in Fund Net Position	H	30
Proprietary Funds - Statement of Cash Flows	I	31
Fiduciary Funds - Statement of Fiduciary Net Position	J	32
Notes to the Financial Statements		33
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)		
Other Postemployment Benefits - Schedule of Funding Progress		57
Other Postemployment Benefits Plan - Schedule of Employer Contributions		57
SUPPLEMENTARY INFORMATION		
	SCHEDULE	
General Fund:		
Combining Schedule of Accounts	1	58
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	2	60
Special Revenue Funds:		
Education Fund		
Combining Schedule of Accounts	3	62
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	4	64
Budgetary Comparison Schedules	5	66
Nonmajor Special Revenue Funds		
Combining Balance Sheet	6	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	7	70
Fiduciary Funds:		
Statement of Changes in Assets and Liabilities - Agency Funds	8	71

**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	1	3
Repeated audit findings	–	–
Prior recommendations implemented or not repeated	3	2

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

SCHEDULE OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<i>FINDING (GOVERNMENT AUDITING STANDARDS)</i>			
2013-001	11	Controls Over Deposits and Receipts	Significant Deficiency
<i>FINDINGS AND RESPONSES (FEDERAL COMPLIANCE)</i>			
	13	None	
<i>PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)</i>			
12-1	15	Controls Over Reporting Accrued Compensated Absences	Significant Deficiency
12-2	15	Application of Appropriate Accounting Principles	Significant Deficiency
12-3	15	Controls Over Capital Assets	Significant Deficiency
<i>PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)</i>			
None			

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

EXIT CONFERENCE

The finding and recommendation appearing in this report was discussed with Agency personnel at an exit conference (via teleconference) on May 29, 2014. Attending were:

Madison County Regional Office of Education No. 41

Dr. Robert Daiber, Regional Superintendent
Andrew Reinking, Assistant Regional Superintendent
Dennis Brueggemann, Administrative Assistant for Finance
Wanda Stoecklin, Bookkeeper
Heather Wiesemeyer, Consultant (Scheffel Boyle CPA)

E. C. Ortiz & Co., LLP

Leilani Rodrigo, Partner
Cecilia Lazaro, Manager

The response to the recommendation was provided by Dr. Robert Daiber, Regional Superintendent, in a letter dated May 29, 2014.

**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 unmodified 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

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison County Regional Office of Education No. 41, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Madison County Regional Office of Education No. 41's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Madison County Regional Office of Education No. 41, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 16 through 22, the Other Post Employment Benefits - Schedule of Funding Progress and the Other Post Employment Benefits Plan - Schedule of Employer Contributions on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Madison County Regional Office of Education No. 41's internal control over financial reporting and compliance.

E. C. Ortiz & Co., LLP

Chicago, Illinois
May 30, 2014



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison County Regional Office of Education No. 41, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Madison County Regional Office of Education No. 41's basic financial statements, and have issued our report thereon dated May 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Madison County Regional Office of Education No. 41's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Madison County Regional Office of Education No. 41's internal control. Accordingly, we do not express an opinion on the effectiveness of the Madison County Regional Office of Education No. 41's internal control.

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

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

identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2013-001 that we consider to be a significant deficiency.

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

Madison County Regional Office of Education No. 41's Response to the Finding

The Madison County Regional Office of Education No. 41's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Madison County Regional Office of Education No. 41's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Madison County Regional Office of Education No. 41's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Madison County Regional Office of Education No. 41's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

E. C. Ortiz & Co., LLP

Chicago, Illinois
May 30, 2014

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
SCHEDULE OF FINDINGS AND RESPONSES
SECTION I - SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013**

Financial Statements

Type of auditors' report issued: Unmodified

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 FINDING
FOR THE YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-001 - Controls Over Deposits and Receipts

Criteria/Specific Requirement:

The Public Funds Deposit Act (Act) (30 ILCS 225/1) gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the Regional Office of Education No. 41's (ROE No. 41) name.

The Act also states that any treasurer or other custodian of public funds may deposit such funds in a savings and loan association, savings bank or State or national bank in the State. When such deposits become collected funds and are not needed for immediate disbursement, they shall be invested within 2 working days at prevailing rates or better.

In addition, prudent business practice requires that receipts be promptly deposited in the bank and all cash and investments held by financial institutions for the ROE No. 41 be adequately covered by depository insurance or collateral.

Condition:

During our review of ROE No. 41 deposits and cash receipts, we noted the following:

- As of June 30, 2013, cash account balances of six accounts with one bank totaled \$712,291. The Federal Deposit Insurance Corporation covers up to a maximum of \$250,000. Additional collateral totaling \$428,774 was received as of June 30, 2013. No additional collateral was obtained for the balance of \$33,517.
- Two of 40 (5%) receipts, totaling \$26,010, were not deposited timely. These checks were deposited 5 to 14 days after receipt.

Effect:

Failure to secure full collateral on a cash account balance maintained in a financial institution may result in monetary losses to the ROE in the event of bank failure/closure. A delay in the deposit of cash receipts could result in a compromise of internal control, increasing the risk of potential loss and loss of interest income.

Cause:

According to the ROE No. 41 management, inadequate collateral at fiscal yearend and untimely deposit of receipts were due to oversight.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDING
FOR THE YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-001 - Controls Over Deposits and Receipts (Continued)

Auditors' Recommendation:

The ROE No. 41 should establish controls for confirming amounts pledged by the financial institution to ensure that all deposits are adequately secured by collateral. The ROE No. 41 should ensure that receipts are deposited promptly by developing a formal deposit policy, which defines the maximum amounts to be held for deposit and minimizes the time elapsed between the receipt of the funds and the deposit of the items.

Management's Response:

Management agrees with the finding. Additional monitoring procedures are being performed to ensure adequacy of required collateral coverage on bank deposits. Also, the ROE implemented changes in the billing/collection process to ensure that receipts are deposited in a timely fashion to the bank.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
SCHEDULE OF FINDINGS AND RESPONSES
SECTION III - FEDERAL AWARD FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Instances of Noncompliance:

None

Material Weaknesses:

None

Significant Deficiencies:

None

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDING
FOR THE YEAR ENDED JUNE 30, 2013**

FINDING NO. 2013-001 - Controls Over Deposits and Receipts

Condition:

During our review of ROE No. 41 deposits and cash receipts, we noted the following:

- As of June 30, 2013, cash account balances of six accounts with one bank totaled \$712,291. The Federal Deposit Insurance Corporation covers up to a maximum of \$250,000. Additional collateral totaling \$428,774 was received as of June 30, 2013. No additional collateral was obtained for the balance of \$33,517.
- Two of 40 (5%) receipts, totaling \$26,010, were not deposited timely. These checks were deposited 5 to 14 days after receipt.

Plan:

The ROE reiterated to the bank the need to ensure that the ROE 41's deposits are fully collateralized at all times during the year. Additional monitoring procedures will be performed to ensure adequacy of required collateral coverage on bank deposits. Also, the ROE implemented changes in the billing/collection process to ensure that receipts are deposited in a timely fashion to the bank.

Anticipated Date of Completion:

December 31, 2013

Name of Contact Person:

Dennis Brueggemann, Administrative Assistant for Finance

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Finding No.	Condition	Current Status
12-1	Controls Over Reporting Accrued Compensated Absences	Not Repeated
12-2	Application of Appropriate Accounting Principles	Not Repeated
12-3	Controls Over Capital Assets	Not Repeated

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013. We encourage readers to consider the information presented here in conjunction with ROE No. 41's financial statements, which follow this section.

2013 Financial Highlights

- The assets of the ROE No. 41 exceeded its liabilities by \$1,658,190 (total net position). The total net assets decreased by \$639,312 or 28%.
- Charges for services for the governmental activities decreased by \$803,692 or 47% and the business-type activities decreased by \$410,861 or 73% in FY 2013. Both of these decreases resulted from decrease in the number of programs, in registration fees for workshops, and technology trainings since several programs were not continued during FY 2013.
- Operating grant monies received by ROE No. 41 did not significantly change in comparison to prior year. Total revenues from operating grants increased by \$42,651 or 5%.
- Total expenses decreased by \$739,143 or 16% due to a decrease in spending mostly due to the fact that programs such as Portal Database Development, Title IV - Safe and Drug Free and Building Capacity were not funded by the federal or State, and Tech Hub ICCP Cloud was not continued in FY 2013.

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 Position and a Statement of Activities. These provide information about the activities of the ROE No. 41 as a whole and present an overall view of the ROE No. 41's finances.
- *Fund financial statements* illustrate how governmental services were financed in the short-term, as well as what remains for future spending. Fund financial statements report the ROE No. 41's operations in more detail than the government-wide statements by providing information about the most significant funds.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

- *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 General Fund accounts, Education Fund accounts, and other non-major funds.

The Statement of Net Position 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 Position presents information on all of ROE No. 41's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for certain items that will only result in cash flows in future fiscal periods.

In the government-wide financial statements, ROE No. 41's activities are divided into two categories:

- *Governmental activities:* Most of ROE No. 41's basic services are included here, such as regular and special education instruction, instructional staff support services and administration. Federal, State, and local grants and contributions finance many of these activities.
- *Business-type activities:* ROE No. 41 charges fees to help cover the costs of certain services it provides, such as workshops, conferences and teacher certification.

Fund Financial Statements

The fund financial statements provide detailed information about ROE No. 41's funds, focusing on its most significant or "major" funds, not ROE No. 41 as a whole. Funds are accounting devices ROE No. 41 used 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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, SIP Workshop, and ROE Administrative funds.

The proprietary funds required financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support ROE No. 41's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. ROE No. 41's net position at the end of FY 2013 and FY 2012 totaled \$1,658,190 and \$2,297,502, respectively. The analysis that follows provides a summary of the ROE No. 41's net position as of June 30.

CONDENSED STATEMENT OF NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
ASSETS						
Current assets	\$ 1,528,342	\$ 2,046,954	\$ 511,872	\$ 603,530	\$ 2,040,214	\$ 2,650,484
Noncurrent assets	45,692	85,848	1,524	4,273	47,216	90,121
TOTAL ASSETS	<u>1,574,034</u>	<u>2,132,802</u>	<u>513,396</u>	<u>607,803</u>	<u>2,087,430</u>	<u>2,740,605</u>
Current liabilities	140,832	226,814	33,641	5,500	174,473	232,314
Noncurrent liabilities	254,767	210,789	–	–	254,767	210,789
TOTAL LIABILITIES	<u>395,599</u>	<u>437,603</u>	<u>33,641</u>	<u>5,500</u>	<u>429,240</u>	<u>443,103</u>
NET POSITION						
Net investment in capital assets	44,692	85,848	1,524	4,273	46,216	90,121
Restricted for educational purposes	449,985	477,037	–	–	449,985	477,037
Unrestricted	683,758	1,132,314	478,231	598,030	1,161,989	1,730,344
TOTAL NET POSITION	<u>\$ 1,178,435</u>	<u>\$ 1,695,199</u>	<u>\$ 479,755</u>	<u>\$ 602,303</u>	<u>\$ 1,658,190</u>	<u>\$ 2,297,502</u>

For FY 2013, total assets which is comprised mostly of cash and receivables, decreased by \$653,175 while total liabilities decreased by \$13,863. The change in total assets was mainly due to the significant reduction in funding received from both federal and State during the current fiscal year.

As indicated above, ROE No. 41 reported positive net position for both the governmental and business-type activities. The assets of ROE No. 41 exceeded its liabilities at the close of the year by \$1,658,190 (net position). The net investment in capital assets was \$46,216 at the end of fiscal year 2013. 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 position 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, 2013**

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 918,281	\$ 1,721,973	\$ 148,180	\$ 559,041	\$ 1,066,461	\$ 2,281,014
Operating grants and contributions	925,472	882,821	-	-	925,472	882,821
Capital grants and contributions	-	32,543	-	-	-	32,543
General revenues:						
Interest income	10,324	16,020	3,637	4,705	13,961	20,725
On-behalf payments - State	584,099	500,342	-	-	584,099	500,342
On-behalf payments - local	637,610	589,748	-	-	637,610	589,748
Total revenues	3,075,786	3,743,447	151,817	563,746	3,227,603	4,307,193
Expenses:						
Salaries and benefits	1,708,399	1,825,368	157,397	72,933	1,865,796	1,898,301
Purchased services	375,360	772,872	101,749	499,672	477,109	1,272,544
Supplies and materials	104,703	82,437	11,828	17,838	116,531	100,275
Depreciation	31,382	41,589	3,291	4,117	34,673	45,706
Payments to other governments	129,763	177,462	-	-	129,763	177,462
Miscellaneous	8,313	8,759	100	-	8,413	8,759
On-behalf payments - State	584,099	500,342	-	-	584,099	500,342
On-behalf payments - local	637,610	589,748	-	-	637,610	589,748
Total expenses	3,579,629	3,998,577	274,365	594,560	3,853,994	4,593,137
Loss before other financing sources (uses)	(503,843)	(255,130)	(122,548)	(30,814)	(626,391)	(285,944)
Other financing sources (uses)						
Loss on disposal of assets	(12,921)	(4,909)	-	-	(12,921)	(4,909)
Transfers in (out)	-	(9,635)	-	9,635	-	-
Change in net position	(516,764)	(269,674)	(122,548)	(21,179)	(639,312)	(290,853)
Net position, beginning	1,695,199	1,964,873	602,303	623,482	2,297,502	2,588,355
Net position, ending	\$ 1,178,435	\$ 1,695,199	\$ 479,755	\$ 602,303	\$ 1,658,190	\$ 2,297,502

Governmental Activities

Total revenues decreased by \$667,661 or 18% while total expenditures decreased by \$418,948 or 10% in fiscal year 2013. Most of the decrease is due to the Federal and State not funding several programs previously administered by the ROE No. 41, such as Portal Database Development, Title IV - Safe and Drug Free and Building State Capacity.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Business-Type Activities

Revenues for this activity are comprised of charges for services. Expenses are for the purchase of services and the costs related to the workshops, conferences and academics conducted by the ROE No. 41. The major decreases in total revenues and total expenditures are due to Tech Hub ICCP Cloud program not continued in FY 2013.

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 \$1,387,335. This is a decrease of \$428,067 or 24% from last year's ending fund balance of \$1,815,402. The change in governmental funds is largely attributed to the reduction in revenues received from the federal and State in FY 2013 as compared to FY 2012.

Proprietary Fund Highlights

The proprietary fund net position decreased by \$122,548 or 20% from \$602,303 at June 30, 2012 to \$479,755 at June 30, 2013. The decrease is mainly due to the increase in expenditures related to Tech Hub Fees program.

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 are presented as supplementary information.

Capital Assets

At June 30, 2013, the ROE No. 41 had invested \$46,216, net of accumulated depreciation, in computers, audio-visual equipment, and other office equipment. This is a net decrease of \$43,905 from last year. This decrease represents depreciation of \$34,673, equipment additions of \$3,689, and loss on disposal of equipment of \$12,921.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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

Economic Factors and Next Years' Budget

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

- The ROE No. 41 has maintained stable enrollment in Regional Safe School Program (RSSP) and the Educational Therapy Center (ETC) from FY 2013 to FY 2014. A change in enrollment and placement at the Lighthouse Education Assistance Program (LEAP) from ninety-day to sixty-day placement may impact revenues in the next fiscal year.
- The General State Aid (GSA) entitlement for FY 2014 will remain prorated at 89%. If there continues to be a proration of GSA and the RSSP, the programs will continue to receive less funds.
- The ROE No. 41 anticipates a decrease in revenue and corresponding expenditures in the RSSP, 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 to maintain stable employment expenditures for FY 2014 as no significant changes have occurred.
- The ROE No. 41 does not anticipate a change in revenue in the Bus Driver Training Fund for FY 14.
- The ROE No. 41 anticipates a change in revenue and expenditures in the GED Fund for FY 2014. These increases will be due to the beginning of computer-based testing and the operation of a computer-based testing facility.

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 POSITION
JUNE 30, 2013

EXHIBIT A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,388,579	\$ 497,542	\$ 1,886,121
Due from other governments	139,763	14,330	154,093
Total current assets	<u>1,528,342</u>	<u>511,872</u>	<u>2,040,214</u>
Noncurrent assets:			
Security deposit	1,000	-	1,000
Capital assets, net	44,692	1,524	46,216
Total noncurrent assets	<u>45,692</u>	<u>1,524</u>	<u>47,216</u>
TOTAL ASSETS	<u>1,574,034</u>	<u>513,396</u>	<u>2,087,430</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	136,209	9,033	145,242
Due to other governments	4,623	24,608	29,231
Total current liabilities	<u>140,832</u>	<u>33,641</u>	<u>174,473</u>
Noncurrent liabilities:			
Compensated absences	34,325	-	34,325
Net OPEB obligations	220,442	-	220,442
Total noncurrent liabilities	<u>254,767</u>	<u>-</u>	<u>254,767</u>
TOTAL LIABILITIES	<u>395,599</u>	<u>33,641</u>	<u>429,240</u>
NET POSITION			
Net investment in capital assets	44,692	1,524	46,216
Restricted for educational purposes	449,985	-	449,985
Unrestricted	683,758	478,231	1,161,989
TOTAL NET POSITION	<u>\$ 1,178,435</u>	<u>\$ 479,755</u>	<u>\$ 1,658,190</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, 2013

EXHIBIT B

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contribution	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS						
Primary government						
Governmental activities:						
Instructional services						
Salaries	\$ 1,415,854	\$ 569,353	\$ 599,077	\$ (247,424)	\$ -	\$ (247,424)
Benefits	292,545	99,956	105,174	(87,415)	-	(87,415)
Purchased services	375,360	151,344	125,043	(98,973)	-	(98,973)
Supplies and materials	104,703	42,104	42,442	(20,157)	-	(20,157)
Miscellaneous	8,313	3,343	2,980	(1,990)	-	(1,990)
Payments to other governments	129,763	52,181	50,756	(26,826)	-	(26,826)
Depreciation	31,382	-	-	(31,382)	-	(31,382)
Administrative						
On-behalf payments - State	584,099	-	-	(584,099)	-	(584,099)
On-behalf payments - local	637,610	-	-	(637,610)	-	(637,610)
Total governmental activities	3,579,629	918,281	925,472	(1,735,876)	-	(1,735,876)
Business-type activities:						
Professional development	274,365	148,180	-	-	(126,185)	(126,185)
Total business-type activities	274,365	148,180	-	-	(126,185)	(126,185)
Total primary government	\$ 3,853,994	\$ 1,066,461	\$ 925,472	(1,735,876)	(126,185)	(1,862,061)
General revenues:						
Interest income				10,324	3,637	13,961
On-behalf payments - State				584,099	-	584,099
On-behalf payments - local				637,610	-	637,610
Loss on disposal of assets				(12,921)	-	(12,921)
Total general revenues				1,219,112	3,637	1,222,749
Change in net position				(516,764)	(122,548)	(639,312)
Net position - beginning				1,695,199	602,303	2,297,502
Net position - ending	\$ 1,178,435	\$ 479,755	\$ 1,658,190			

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, 2013

EXHIBIT C

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Eliminations	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,004,541	\$ 15,441	\$ 260,051	\$ 108,546	\$ -	\$ 1,388,579
Due from other funds	20,466	-	-	-	(20,466)	-
Due from other governments	30,209	81,455	27,758	341	-	139,763
TOTAL ASSETS	1,055,216	96,896	287,809	108,887	(20,466)	1,528,342
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenses	114,702	21,507	-	-	-	136,209
Due to other funds	-	20,466	-	-	(20,466)	-
Due to other governments	1,953	1,438	1,232	-	-	4,623
Deferred revenues	-	136	-	39	-	175
Total liabilities	116,655	43,547	1,232	39	(20,466)	141,007
FUND BALANCES						
Restricted	36	53,485	286,577	108,848	-	448,946
Assigned	743,760	-	-	-	-	743,760
Unassigned	194,765	(136)	-	-	-	194,629
Total fund balances	938,561	53,349	286,577	108,848	-	1,387,335
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,055,216	\$ 96,896	\$ 287,809	\$ 108,887	\$ (20,466)	\$ 1,528,342

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

EXHIBIT D

Total fund balances - governmental funds	\$ 1,387,335
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	44,692
Security deposit represents payment deferred in the current period and therefore, is not reported in the governmental funds.	1,000
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.	175
Long-term liabilities such as compensated absences are not due and payable in the current period and therefore, are not reported in the funds.	(34,325)
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 governmental funds.	<u>(220,442)</u>
Net position of governmental activities	<u><u>\$ 1,178,435</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, 2013

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
REVENUES					
Federal sources	\$ -	\$ 209,504	\$ -	\$ 25,922	\$ 235,426
State sources	193,644	469,769	-	2,876	666,289
Local sources	787,733	74,538	46,255	38,075	946,601
On-behalf payments - State	584,099	-	-	-	584,099
On-behalf payments - local	637,610	-	-	-	637,610
Total revenues	<u>2,203,086</u>	<u>753,811</u>	<u>46,255</u>	<u>66,873</u>	<u>3,070,025</u>
EXPENDITURES					
Instructional services					
Salaries	945,896	469,958	-	-	1,415,854
Benefits	155,434	93,057	-	76	248,567
Purchased services	127,939	116,363	80,834	51,224	376,360
Supplies and materials	38,248	55,749	4,396	6,310	104,703
Payments to other governments	119,957	-	9,806	-	129,763
Miscellaneous	3,183	3,861	1,269	-	8,313
On-behalf payments - State	584,099	-	-	-	584,099
On-behalf payments - local	637,610	-	-	-	637,610
Capital expenditures	3,147	-	-	-	3,147
Total expenditures	<u>2,615,513</u>	<u>738,988</u>	<u>96,305</u>	<u>57,610</u>	<u>3,508,416</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(412,427)	14,823	(50,050)	9,263	(438,391)
OTHER FINANCING SOURCES					
Interest income	7,849	68	1,889	518	10,324
NET CHANGE IN FUND BALANCES	(404,578)	14,891	(48,161)	9,781	(428,067)
FUND BALANCES, BEGINNING OF YEAR	<u>1,343,139</u>	<u>38,458</u>	<u>334,738</u>	<u>99,067</u>	<u>1,815,402</u>
FUND BALANCES, END OF YEAR	<u>\$ 938,561</u>	<u>\$ 53,349</u>	<u>\$ 286,577</u>	<u>\$ 108,848</u>	<u>\$ 1,387,335</u>

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

EXHIBIT F

Net change in fund balances \$ (428,067)

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

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

Capital outlay	\$ 3,147	
Depreciation expense	<u>(31,382)</u>	(28,235)

Governmental funds only report the proceeds from asset disposals as revenues when received, whereas the Statement of Activities will reduce the proceeds by the book value of the assets disposed exceeding the proceeds. (12,921)

Other assets represent payments deferred in the current period and therefore, are not reported in the governmental funds. 1,000

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. (4,738)

Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. 175

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. 9,107

The increase in the OPEB obligation resulting from annual required contributions in excess of actual contributions does not require the use of current financial resources and therefore, is not reported as expenditures in governmental funds. (53,085)

Change in net position of governmental activities \$ (516,764)

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 POSITION
 JUNE 30, 2013**

EXHIBIT G

	Business-Type Activities - Enterprise Funds			Total
	Technology Hub Fees	SIP-Enterprise Workshop	Nonmajor Enterprise Funds	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 169,953	\$ 254,369	\$ 73,220	\$ 497,542
Due from other governments	12,550	1,780	-	14,330
Total current assets	<u>182,503</u>	<u>256,149</u>	<u>73,220</u>	<u>511,872</u>
Noncurrent assets:				
Capital assets, net	<u>1,243</u>	<u>281</u>	<u>-</u>	<u>1,524</u>
TOTAL ASSETS	<u><u>183,746</u></u>	<u><u>256,430</u></u>	<u><u>73,220</u></u>	<u><u>513,396</u></u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	4,624	4,409	-	9,033
Due to other governments	24,608	-	-	24,608
Total current liabilities	<u>29,232</u>	<u>4,409</u>	<u>-</u>	<u>33,641</u>
NET POSITION				
Net investment in capital assets	1,243	281	-	1,524
Unrestricted	<u>153,271</u>	<u>251,740</u>	<u>73,220</u>	<u>478,231</u>
TOTAL NET POSITION	<u><u>\$ 154,514</u></u>	<u><u>\$ 252,021</u></u>	<u><u>\$ 73,220</u></u>	<u><u>\$ 479,755</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**

EXHIBIT H

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2013**

	Business-Type Activities - Enterprise Funds			Total
	Technology Hub Fees	SIP- Enterprise Workshop	Nonmajor Enterprise Funds	
OPERATING REVENUES				
Charges for services	\$ 38,302	\$ 86,498	\$ 23,380	\$ 148,180
OPERATING EXPENSES				
Salaries	79,852	33,908	-	113,760
Benefits	34,111	9,526	-	43,637
Purchased services	40,647	51,788	9,314	101,749
Supplies and materials	7,724	4,104	-	11,828
Miscellaneous	-	-	100	100
Depreciation	3,139	152	-	3,291
Total operating expenses	<u>165,473</u>	<u>99,478</u>	<u>9,414</u>	<u>274,365</u>
OPERATING INCOME (LOSS)	(127,171)	(12,980)	13,966	(126,185)
NONOPERATING REVENUES				
Interest income	<u>1,134</u>	<u>2,231</u>	<u>272</u>	<u>3,637</u>
CHANGE IN NET POSITION	(126,037)	(10,749)	14,238	(122,548)
NET POSITION, BEGINNING OF YEAR	<u>280,551</u>	<u>262,770</u>	<u>58,982</u>	<u>602,303</u>
NET POSITION, END OF YEAR	<u>\$ 154,514</u>	<u>\$ 252,021</u>	<u>\$ 73,220</u>	<u>\$ 479,755</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, 2013**

EXHIBIT I

	Business-Type Activities - Enterprise Funds			Total
	Technology Hub Fees	SIP- Enterprise Workshop	Nonmajor Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for workshops and services	\$ 26,302	\$ 85,458	\$ 23,380	\$ 135,140
Payments to suppliers and providers of goods and services	(47,242)	(53,488)	(9,414)	(110,144)
Payments to employees	(89,355)	(43,434)	-	(132,789)
Net cash provided by (used in) operating activities	<u>(110,295)</u>	<u>(11,464)</u>	<u>13,966</u>	<u>(107,793)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITY:				
Cash paid for capital acquisitions	(542)	-	-	(542)
Cash used in capital financing activity	<u>(542)</u>	<u>-</u>	<u>-</u>	<u>(542)</u>
CASH FLOWS FROM INVESTING ACTIVITY:				
Interest income	1,134	2,231	272	3,637
Cash provided by investing activity	<u>1,134</u>	<u>2,231</u>	<u>272</u>	<u>3,637</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(109,703)	(9,233)	14,238	(104,698)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>279,656</u>	<u>263,602</u>	<u>58,982</u>	<u>602,240</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 169,953</u>	<u>\$ 254,369</u>	<u>\$ 73,220</u>	<u>\$ 497,542</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (127,171)	\$ (12,980)	\$ 13,966	\$ (126,185)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	3,139	152	-	3,291
Effects of changes in assets and liabilities:				
Due from other governments	(12,000)	(1,040)	-	(13,040)
Accounts payable and accrued expenses	1,129	2,404	-	3,533
Due to other governments	24,608	-	-	24,608
Net cash provided by (used in) operating activities	<u>\$ (110,295)</u>	<u>\$ (11,464)</u>	<u>\$ 13,966</u>	<u>\$ (107,793)</u>

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013**

EXHIBIT J

	<u>Agency Fund</u>
<u>TRS and THIS</u>	
ASSETS	
Cash and cash equivalents	\$ 3,298
Accounts receivable	<u>192</u>
TOTAL ASSETS	<u><u>3,490</u></u>
LIABILITIES	
Accounts payable and accrued expenses	<u>3,490</u>
TOTAL LIABILITIES	<u><u>\$ 3,490</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, 2013

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 generally accepted accounting principles (GAAP) in the United States of America. These principles have been consistently applied in the preparation of the financial statements.

A. Reporting Entity

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

The Regional Superintendent is responsible for supervision and control of school districts within Madison County. This includes all aspects of supervision, reports and financial accounting of districts, which are considered by State law to be in the Regional Office of Education. In addition, the Regional Superintendent is charged with the responsibility for township fund lands; registration of the names of applicants for scholarships to State controlled universities; examinations and related duties; visitation of public schools; direction of teachers and school officers; to serve as the official advisor and assistant of school officers and teachers; to conduct teachers institutes as well as to aid and encourage the formation of other teachers meetings and assist in their management; evaluate the schools in the ROE No. 41; examine evidence of indebtedness; file and keep the returns of elections required to be returned to the Regional Superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the ROE No. 41's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, the ROE No. 41 applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Madison County. Such activities are reported in the General Fund and Special Revenue Funds.

B. Scope of the Reporting Entity

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

The ROE No. 41 has developed criteria to determine whether outside agencies with activities, which benefit the citizens of the region, including districts or joint agreements, which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the ROE No. 41 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the ROE No. 41 does not control the assets, operations, or management of the districts or joint agreements. In addition, the ROE No. 41 is not aware of any entity, which would exercise such oversight as to result in the Regional Office being considered a component unit of the entity.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the ROE No. 41. For the most part, the effect of inter-fund 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 Position presents the non-fiduciary assets and liabilities, with the differences reported as net position. Net position is reported in three categories:

Net investment in capital assets 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 represents resources which ROE No. 41 is legally obligated to spend in accordance with restrictions either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted represents resources that do not meet the definition of “net investment in capital assets” or “restricted.”

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 proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as non-major funds.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34 in regards to inter-fund activities, such as payables, receivables, and transfers. Inter-fund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as 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 Position.

Inter-fund 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 Position 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 non-major 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 position and changes in net position 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

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

program expenses are incurred, there are both restricted and unrestricted funding sources 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 Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major 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 Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary services.

Proprietary fund operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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:

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Governmental Fund Types

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

The governmental funds include the following:

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

ROE Administrative - Accounts for monies received for, and payment of, expenditures associated with the operations of the ROE No. 41's general administrative activities.

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.

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.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 grant agreements or contracts 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 and resource materials for families and educators of children who are transitioning from school to post secondary activities.

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 II - Teacher Quality Leadership - Account for grant monies received for, and payment of, expenditures to improve evaluation of administrators and teachers in school districts.

Title II - Teacher Quality - Account for grant monies received for, and payment of, expenditures to improve instructional services in school districts.

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

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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.

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

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

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

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

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

Nonmajor Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources (other than

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

fiduciary or major capital projects) that are restricted to expenditures for specified purposes. Non-major 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.

Educational Therapy Center (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 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 Fees - Accounts for the local monies received for, and payment of, expenditures associated with setting up e-mail addresses, conducting workshops, and helping with the creation of technology plans for the schools in Madison County.

School Improvement Plan (SIP) - Enterprise Workshop - Accounts for workshop fees received for, and payment of, expenses related to various trainings conducted by the ROE No. 41.

Nonmajor Enterprise Fund - Nonmajor enterprise fund consist of:

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

Fiduciary Fund Types

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

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Teacher Retirement System (TRS) and Teacher Health Insurance Supplement (THIS) - Accounts for pension and insurance contributions collected and disbursed to the 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:

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

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

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

Assigned - the portion of a Governmental Fund's net position 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, ETC Day Program, ETC Unemployment Reserve, and World War II Veterans Program.

Unassigned - available expendable financial resources in a governmental fund that are not designated for a specific purpose. The unassigned fund balance is made up of the General State Aid, Suspension Temporary Option Program and the Title IIA Teacher Quality grant.

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.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 are reported as supplementary information:

Special Revenue Funds:

- Education Fund:
 - Truants Alternative and Optional Education Project
 - Vocational Adjustment Counselor
 - Regional Safe Schools
 - Title II - Teacher Quality Leadership
 - Title II - Teacher Quality
 - McKinney-Vento Homeless Children
 - Technology Hub
 - School Improvement

I. Cash and Cash Equivalents

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

J. 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.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

K. Compensated Absences

All ROE No. 41 employees must use their annual vacation before November 30, and an accrual for this liability as of June 30, 2013 has been provided in the government-wide financial statements.

Accumulated sick pay benefits are available to all full-time employees to use in future years, up to 480 hours. They are eligible to be compensated for these unused sick days after attaining age 55 and employed for eight years. They will be compensated upon retirement only. If terminated, their unused sick days are forfeited. Per GASB Statement No. 16, the ROE No. 41 used the vesting method to calculate the necessary accrual. Under this method, the liability is measured based on those that are eligible to receive retirement payments and those who are expected to become eligible in future years.

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

L. New Accounting Pronouncements

In 2013, ROE No. 41 implemented Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*; and GASB Statement No. 63, *Financial Reporting Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The ROE No. 41 implemented these standards during the current year; however, GASB No. 60, and GASB No. 61 had no impact on the financial statements. The implementation of GASB No. 63 changed how the statement of financial position is presented and provided financial reporting guidance for deferred outflows and deferred inflows of resources.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

M. Deferred Revenues

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

N. Revenues - Exchange and Non-exchange 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 provided to the ROE No. 41 on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

NOTE 2 - CASH AND CASH EQUIVALENTS

Deposits

For its various activities, the ROE No. 41 utilizes several different bank accounts in credit quality financial institutions. The carrying amount of the ROE No. 41's government-wide and agency fund deposits were \$1,886,121 and \$3,298, respectively, and the bank balances were \$2,058,361 and \$3,298 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, 2013. Of the total bank balances as of June 30, 2013, \$500,000 was secured by federal depository insurance and \$1,528,142 was collateralized by securities pledged by the financial institution's trust department in the name of the ROE No. 41. Net deposits amounting to \$33,517 was not collateralized as of June 30, 2013.

Custodial Credit Risk

Custodial credit risk for deposits with financial institutions is the risk that, in the event of bank failure, the Regional Office of Education's deposits may not be returned. As of June 30, 2013, the ROE has an unsecured deposit amounting to \$33,517.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3 - CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2013 are as follows:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
GOVERNMENTAL FUNDS				
Equipment	\$ 840,573	\$ 3,147	\$ 428,386	\$ 415,334
Less: accumulated depreciation	754,725	31,382	415,465	370,642
Capital assets, net	<u>85,848</u>	<u>(28,235)</u>	<u>12,921</u>	<u>44,692</u>
PROPRIETARY FUNDS				
Equipment	23,029	542	2,501	21,070
Less: accumulated depreciation	18,756	3,291	2,501	19,546
Capital assets, net	<u>4,273</u>	<u>(2,749)</u>	<u>—</u>	<u>1,524</u>
Total capital assets, net	<u>\$ 90,121</u>	<u>\$ (30,984)</u>	<u>\$ 12,921</u>	<u>\$ 46,216</u>

Depreciation expense for the year ended June 30, 2013 amounted to \$31,382, was accounted for in the instructional services function under governmental activities. For the business-type activities, depreciation expense of \$3,139 and \$152 were charged to Technology Hub Fees and SIP-Enterprise Workshop, respectively.

NOTE 4 - COMPENSATED ABSENCES

The ROE No. 41 records a liability associated with compensated absences. During the FY 2013, the amount in this account decreased by \$9,107. At June 30, 2013, the balance in this account was \$34,325.

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013
Compensated absences	<u>\$ 43,432</u>	<u>\$ 1,748</u>	<u>\$ 10,855</u>	<u>\$ 34,325</u>

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.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Regional Superintendent salary	\$ 107,640
Regional Superintendent benefits (includes State paid insurance)	35,002
Assistant Regional Superintendent salary	96,888
Assistant Regional Superintendent benefits (includes State paid insurance)	34,348
TRS pension contributions	300,045
THIS OPEB contributions	10,176
Salaries of office workers paid by the Madison County	466,565
Rent of office space	43,560
Consulting Services	6,700
Madison County's share in health insurance contributions	46,026
Madison County's share in retirement contributions	74,759
Total	\$ 1,221,709

Salary and benefit data for the Regional Superintendent and the Assistant Regional Superintendent was calculated based on data provided by the ISBE.

NOTE 6 - INTERFUND TRANSFERS

(a) Due From (To) Other Funds

As of June 30, 2013, amounts due from (to) other funds consist of the following:

Fund	Due From Other Funds	Due To Other Funds
General Fund - General State Aid	\$ 20,466	\$ -
Education Fund - Regional Safe Schools	-	4,278
Education Fund - Title II Teacher Quality	-	13,545
Education Fund - Title IIA Teacher Quality	-	329
Education Fund - School Improvement	-	2,314
Total	\$ 20,466	\$ 20,466

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

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

(b) Transfers From (To) Other Funds

The composition of interfund transfers during FY 2013 is as follows:

Fund	Transfers-in	Transfers-out
General Fund - General State Aid	\$ -	\$ 24,854
General Fund - Suspension Temporary Option Program	24,854	-
Total	<u>\$ 24,854</u>	<u>\$ 24,854</u>

In FY 2013, the ROE No. 41 made interfund transfers to move a portion of unrestricted funds to finance various operating expenditures accounted for in other funds.

NOTE 7 - DUE FROM (TO) OTHER GOVERNMENTS

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

Due from Other Governments:

Illinois State Board of Education	\$ 39,647
Illinois Department of Human Services	41,808
Local school districts	40,442
Other governmental units	32,196
Total	<u>\$ 154,093</u>

Due to Other Governments:

Illinois State Board of Education	\$ 1,232
Illinois Teacher Retirement System	24,608
Other governmental units	3,391
Total	<u>\$ 29,231</u>

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 health insurance coverage for active non-administrative ROE No. 41 employees. These non-administrative employees are classified under “Other Education” below.

Membership. At November 30, 2012 (the County’s fiscal year end), membership consisted of:

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

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

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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.

Components of Net OPEB Obligation and Expense

Item	Amount as of 11/30/2012		
	Education Admin	Other Education	Total
Annual Required Contribution	\$ 28,933	\$ 46,456	\$ 75,389
Interest on Net OPEB obligation	1,727	6,641	8,368
Adjustment to annual required contribution	(2,139)	(8,229)	(10,368)
Annual OPEB cost (expense)	28,521	44,868	73,389
Contributions made	(13,875)	(6,429)	(20,304)
Increase in net OPEB obligation	14,646	38,439	53,085
Net OPEB obligation - beginning of year	34,531	132,826	167,357
Net OPEB obligation - end of year	\$ 49,177	\$ 171,265	\$ 220,442

Schedule of Contributions, OPEB Costs and Net Obligations

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
11/30/2012	\$ 73,389	27.7%	\$ 220,442

Funded Status and Funding Progress. As of November 30, 2012 (the County's fiscal year end), the actuarial accrued liability for benefits was \$776,084. The covered payroll was approximately \$1,694,625 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 45.8%.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2012, the entry age normal cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 8% initially, reduced to an ultimate rate of 5% after five years. Rates include a 3.5% general inflation assumption. The Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount on a closed basis over 30 years.

Schedule of Funded Status and Funding Progress

	Education Admin	Other Education	Total
Actuarial Accrued Liability (AAL)	\$ 305,274	\$ 470,810	\$ 776,084
Actuarial Value of Assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 305,274	\$ 470,810	\$ 776,084
Funded Ratio	0%	0%	0%
Covered Payroll (Active Plan Members)	\$ 485,327	\$ 1,209,298	\$ 1,694,625
UAAL as a % of Covered Payroll	62.9%	38.9%	45.8%

(b) Teacher Health Insurance Security Fund

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

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

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

- **On-behalf contributions to THIS Fund.** The State of Illinois makes employer retiree health insurance contributions on-behalf of the ROE No. 41. State contributions are intended to match contributions to THIS Fund from active members which were 0.92 percent of pay during the year ended June 30, 2013. The State of Illinois contributions were \$10,176, and the ROE No. 41 recognized revenue and expenditures of this amount during the year. State contributions intended to match active member contributions during the years ended June 30, 2012 and June 30, 2011 were 0.88 percent of pay, both years. State contributions on behalf of employees were \$9,941 and \$10,585, respectively.

- **Employer contributions to THIS Fund.** The ROE No. 41 also makes contributions to THIS Fund. The ROE No. 41's THIS Fund contribution was 0.69 percent during the year ended June 30, 2013 and 0.66 percent during the years ended June 30, 2012, and June 30, 2011. For the year ended June 30, 2013, the ROE No. 41 paid \$7,632 to the THIS Fund. For the years ended June 30, 2012, and June 30, 2011, the ROE No. 41 paid \$7,456 and \$7,939 to the THIS Fund, respectively, which was 100 percent of the required contribution.

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

NOTE 9 - PENSION AND RETIREMENT COMMITMENTS

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

The ROE No. 41 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains 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.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

The State of Illinois makes contributions directly to TRS on behalf of the 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, 2013, the State of Illinois contributions were based on 28.05 percent of creditable earnings not paid from federal funds, and the ROE No. 41 recognized revenue and expenditures of \$300,045 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2012 and June 30, 2011, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 24.91 percent (\$281,398) and 23.10 percent (\$322,091), 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, 2013 were \$6,416. Contributions for the years ended June 30, 2012, and June 30, 2011, were \$6,552 and \$6,977, 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, 2013, the employer pension contribution was 28.05 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2012 and 2011, the employer pension contribution was 24.91 and 23.10 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2013, salaries totaling \$36,461 were paid from federal and special trust funds that required employer contributions of \$10,227. For the years ended June 30, 2012 and June 30, 2011, no salaries were paid from federal and special trust funds.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

- **Early retirement option (ERO).** The ROE No. 41 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member.

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

For the year ended June 30, 2013, the ROE No. 41 paid \$0 to TRS for employer contributions under the ERO program. For the years ended June 30, 2012 and June 30, 2011, the ROE No. 41 paid \$0 in employer ERO contributions in both years.

- **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, 2013, the ROE No. 41 paid \$354 to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2012 and June 30, 2011, the ROE No. 41 paid \$0 to TRS for employer contributions due on salary increases in excess of 6 percent.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary rate reported by ROE No.41 during the four year sick leave review period, and the TRS total normal cost rate (17.63 percent of salary during the year ended June 30, 2013).

For the year ended June 30, 2013, 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, 2012 and 2011, 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, 2012. The report for the year ended June 30, 2013 is expected to be available in late 2013.

The reports may be obtained by writing to the 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>.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Illinois Municipal Retirement Fund

There are other non-certified employees 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 made by Madison County to the Illinois Municipal Retirement Fund amounted to \$42,475. This amount is included in the local on-behalf revenue and related expense.

NOTE 10 - DEFICIT FUND BALANCE

The General Fund's Suspension Temporary Option Program (STOP) and Education Fund's Title IIA Teacher Quality have deficit fund balances as of June 30, 2013, in the amount of \$4,880 and \$136, respectively.

Above deficit fund balances is 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, 2013, 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 - LEASE

The ROE No. 41 is committed under lease agreement for an office space for the ROE No. 41's GED testing program located in Granite City, Illinois. The lease agreement is considered operating lease for accounting purposes.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

The lease agreement for the office space has a term of 29 months beginning March 1, 2013, and ending on July 31, 2015, with an option for bi-annual renewals. The lease requires \$12,000 annually, payable monthly and \$1,000 security deposit. Lease expense for the year ended June 30, 2013, amounted to \$4,000.

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
2014	\$ 12,000
2015	12,000
2016	1,000
Total	\$ 25,000

NOTE 13 - SUBSEQUENT EVENTS

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

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

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013**

**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)
11/30/12	\$0	\$ 776,084	\$ 776,084	0%	\$1,694,625	45.80%
11/30/11	0	728,190	728,190	0%	1,637,319	44.50%
11/30/10	0	605,341	605,341	0%	1,875,787	32.30%

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

Fiscal Year Ended	Employer Contributions	Annual Required Contributions (ARC)	Percentage Contributed
11/30/12	\$ 20,304	\$ 75,389	27.66%
11/30/11	18,627	75,389	25.15%
11/30/10	9,763	65,666	15.02%

SUPPLEMENTARY INFORMATION

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
 GENERAL FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2013

SCHEDULE 1

	ROE	Fingerprinting	General State Aid	Lighthouse Educational Assistance Program	Longitudinal Data System
	Administrative				
ASSETS					
Cash and cash equivalents	-	\$ 27,853	\$ 209,224	\$ 324,601	\$ 36
Due from other governments	-	2,057	-	24,055	-
Due from other funds	-	-	20,466	-	-
TOTAL ASSETS	-	29,910	229,690	348,656	36
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	-	-	30,045	36,022	-
Due to other governments	-	1,953	-	-	-
Total liabilities	-	1,953	30,045	36,022	-
FUND BALANCES (DEFICIT)					
Restricted	-	-	-	-	36
Assigned	-	27,957	-	312,634	-
Unassigned	-	-	199,645	-	-
Total fund balances (deficit)	-	27,957	199,645	312,634	36
TOTAL LIABILITIES AND FUND BALANCES	-	\$ 29,910	\$ 229,690	\$ 348,656	\$ 36

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
GENERAL FUND
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2013

SCHEDULE 1
(CONTINUED)

	ETC Day Program	ETC Unemployment Reserve	Suspension Temporary Option Program	World War II Veterans Program	Total
ASSETS					
Cash and cash equivalents	\$ 265,331	\$ 177,417	\$ -	\$ 79	\$ 1,004,541
Due from other governments	4,097	-	-	-	30,209
Due from other funds	-	-	-	-	20,466
TOTAL ASSETS	269,428	177,417	-	79	1,055,216
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	43,750	-	4,880	5	114,702
Due to other governments	-	-	-	-	1,953
Total liabilities	43,750	-	4,880	5	116,655
FUND BALANCES (DEFICIT)					
Restricted	-	-	-	-	36
Assigned	225,678	177,417	-	74	743,760
Unassigned	-	-	(4,880)	-	194,765
Total fund balances (deficit)	225,678	177,417	(4,880)	74	938,561
TOTAL LIABILITIES AND FUND BALANCES	\$ 269,428	\$ 177,417	\$ -	\$ 79	\$ 1,055,216

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, 2013

SCHEDULE 2

	ROE		Lighthouse Educational Assistance Program		Longitudinal Data System
	Administrative	Fingerprinting	General State Aid	Program	Data System
REVENUES					
State sources	\$ -	\$ -	\$ 193,644	\$ -	\$ -
Local sources	-	48,803	281	253,840	-
On-behalf payments - State	584,099	-	-	-	-
On-behalf payments - local	606,950	-	8,822	7,964	-
Total revenues	1,191,049	48,803	202,747	261,804	-
EXPENDITURES					
Salaries	-	-	264,264	284,293	-
Benefits	-	-	53,380	33,584	-
Purchased services	-	45,194	28,528	15,598	-
Supplies and materials	-	28	18,125	1,331	-
Payments to governmental units	-	-	-	-	-
Miscellaneous	-	-	3,183	-	-
On-behalf payments - State	584,099	-	-	-	-
On-behalf payments - local	606,950	-	8,822	7,964	-
Capital expenditures	-	-	3,147	-	-
Total expenditures	1,191,049	45,222	379,449	342,770	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	3,581	(176,702)	(80,966)	-
OTHER FINANCING SOURCES (USES)					
Interest income	-	123	2,080	2,428	-
Transfer in (out)	-	-	(24,854)	-	-
Total other financing sources (uses)	-	123	(22,774)	2,428	-
NET CHANGE IN FUND BALANCES (DEFICIT)	-	3,704	(199,476)	(78,538)	-
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	-	24,253	399,121	391,172	36
FUND BALANCES (DEFICIT), END OF YEAR	\$ -	\$ 27,957	\$ 199,645	\$ 312,634	\$ 36

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
 GENERAL FUND ACCOUNTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 2
 (CONTINUED)

	ETC Day Program	ETC Unemployment Reserve	Suspension Temporary Option Program	World War II Veterans Program	Total
REVENUES					
State sources	\$ -	\$ -	\$ -	\$ -	\$ 193,644
Local sources	458,263	-	19,546	7,000	787,733
On-behalf payments - State	-	-	-	-	584,099
On-behalf payments - local	13,874	-	-	-	637,610
Total revenues	472,137	-	19,546	7,000	2,203,086
EXPENDITURES					
Salaries	351,281	-	37,228	8,830	945,896
Benefits	59,345	-	7,348	1,777	155,434
Purchased services	34,595	-	-	4,024	127,939
Supplies and materials	18,077	-	-	687	38,248
Payments to governmental units	119,957	-	-	-	119,957
Miscellaneous	-	-	-	-	3,183
On-behalf payments - State	-	-	-	-	584,099
On-behalf payments - local	13,874	-	-	-	637,610
Capital expenditures	-	-	-	-	3,147
Total expenditures	597,129	-	44,576	15,318	2,615,513
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(124,992)	-	(25,030)	(8,318)	(412,427)
OTHER FINANCING SOURCES (USES)					
Interest income	1,476	1,721	-	21	7,849
Transfer in (out)	-	-	24,854	-	-
Total other financing sources (uses)	1,476	1,721	24,854	21	7,849
NET CHANGE IN FUND BALANCES (DEFICIT)	(123,516)	1,721	(176)	(8,297)	(404,578)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	349,194	175,696	(4,704)	8,371	1,343,139
FUND BALANCES (DEFICIT), END OF YEAR	\$ 225,678	\$ 177,417	\$ (4,880)	\$ 74	\$ 938,561

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2013

SCHEDULE 3

	Truants Alternative and Optional Education Project	Vocational Adjustment Counselor	Regional Safe Schools	Title II - Teacher Quality Leadership	Title II - Teacher Quality	McKinney - Vento Homeless Children
Cash and cash equivalents	\$ 51	\$ 5,649	\$ -	\$ -	\$ -	\$ 1,438
Due from other governments	-	41,808	22,131	13,545	329	-
TOTAL ASSETS	51	47,457	22,131	13,545	329	1,438

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable and accrued expenses	-	7,162	7,963	-	-	-
Due to other funds	-	-	4,278	13,545	329	-
Due to other governments	-	-	-	-	-	1,438
Deferred revenues	-	-	-	-	136	-
TOTAL LIABILITIES	-	7,162	12,241	13,545	465	1,438

FUND BALANCES (DEFICIT)

Restricted	51	40,295	9,890	-	-	-
Unassigned	-	-	-	-	(136)	-
TOTAL FUND BALANCES (DEFICIT)	51	40,295	9,890	-	(136)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 51	\$ 47,457	\$ 22,131	\$ 13,545	\$ 329	\$ 1,438

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2013

SCHEDULE 3
 (CONTINUED)

	Portal Database Development	Learn and Serve	Technology Hub	School Improvement	Title IV - Safe and Drug Free	Building State Capacity	Total
ASSETS							
Cash and cash equivalents	\$ 121	\$ 14	\$ 8,168	\$ -	\$ -	\$ -	\$ 15,441
Due from other governments	-	-	-	3,642	-	-	81,455
TOTAL ASSETS	121	14	8,168	3,642	-	-	96,896
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued expenses	-	-	6,382	-	-	-	21,507
Due to other funds	-	-	-	2,314	-	-	20,466
Due to other governments	-	-	-	-	-	-	1,438
Deferred revenues	-	-	-	-	-	-	136
TOTAL LIABILITIES	-	-	6,382	2,314	-	-	43,547
FUND BALANCES (DEFICIT)							
Restricted	121	14	1,786	1,328	-	-	53,485
Unassigned	-	-	-	-	-	-	(136)
TOTAL FUND BALANCES (DEFICIT)	121	14	1,786	1,328	-	-	53,349
TOTAL LIABILITIES AND FUND BALANCES	\$ 121	\$ 14	\$ 8,168	\$ 3,642	\$ -	\$ -	\$ 96,896

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
 EDUCATION FUND ACCOUNTS

SCHEDULE 4

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED, JUNE 30, 2013

	Truants Alternative and Optional Education Project	Vocational Adjustment Counselor	Regional Safe Schools	Title II - Teacher Quality Leadership	Title II - Teacher Quality	McKinney - Vento Homeless Children
REVENUES						
Federal sources	\$ -	\$ 99,955	\$ -	\$ 13,545	\$ 193	\$ 95,585
State sources	45,058	37,267	132,761	-	-	-
Local sources	-	74,538	-	-	-	-
Total revenues	45,058	211,760	132,761	13,545	193	95,585
EXPENDITURES						
Salaries	37,377	135,510	87,475	-	-	22,080
Benefits	1,017	36,022	8,038	-	-	9,576
Purchased services	6,213	20,150	37,248	13,545	329	16,270
Supplies and materials	451	1,118	-	-	-	47,661
Miscellaneous	-	3,713	-	-	-	148
Total expenditures	45,058	196,513	132,761	13,545	329	95,735
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	15,247	-	-	(136)	(150)
OTHER FINANCING SOURCES (USES)						
Interest income	3	11	30	-	-	2
NET CHANGE IN FUND BALANCES	3	15,258	30	-	(136)	(148)
FUND BALANCES, BEGINNING OF YEAR	48	25,037	9,860	-	-	148
FUND BALANCES (DEFICIT), END OF YEAR	\$ 51	\$ 40,295	\$ 9,890	\$ -	\$ (136)	\$ -

**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, 2013**

	Portal Database Development	Learn and Serve	Technology Hub	School Improvement	Title IV - Safe and Drug Free	Building State Capacity	Total
REVENUES							
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ 226	\$ -	\$ 209,504
State sources	-	-	210,974	43,709	-	-	469,769
Local sources	-	-	-	-	-	-	74,538
Total revenues	-	-	210,974	43,709	226	-	753,811
EXPENDITURES							
Salaries	-	-	157,593	29,923	-	-	469,958
Benefits	-	-	29,380	9,024	-	-	93,057
Purchased services	-	-	17,892	4,353	226	137	116,363
Supplies and materials	-	-	6,110	409	-	-	55,749
Miscellaneous	-	-	-	-	-	-	3,861
Total expenditures	-	-	210,975	43,709	226	137	738,988
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(1)	-	-	(137)	14,823
OTHER FINANCING SOURCES (USES)							
Interest income	-	-	21	1	-	-	68
NET CHANGE IN FUND BALANCES	-	-	20	1	-	(137)	14,891
FUND BALANCES, BEGINNING OF YEAR	121	14	1,766	1,327	-	137	38,458
FUND BALANCES (DEFICIT), END OF YEAR	\$ 121	\$ 14	\$ 1,786	\$ 1,328	\$ -	\$ -	\$ 53,349

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
 EDUCATION FUND ACCOUNT
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 5
 (CONTINUED)

	Technology Hub			School Improvement			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 217,765	\$ 209,278	\$ (8,487)
State sources	210,974	210,974	-	43,709	43,709	-	454,002	469,769	15,767
Local sources	-	-	-	-	-	-	80,000	74,538	(5,462)
Total revenues	210,974	210,974	-	43,709	43,709	-	751,767	753,585	1,818
EXPENDITURES									
Salaries	157,287	157,593	(306)	29,200	29,923	(723)	453,765	469,958	(16,193)
Benefits	27,712	29,380	(1,668)	9,200	9,024	176	109,098	93,057	16,041
Purchased services	19,975	17,892	2,083	4,209	4,353	(144)	70,290	116,000	(45,710)
Supplies and materials	6,000	6,110	(110)	1,100	409	691	45,004	55,749	(10,745)
Miscellaneous	-	-	-	-	-	-	-	3,861	(3,861)
Payments to other governments	-	-	-	-	-	-	35,000	-	35,000
Total expenditures	210,974	210,975	(1)	43,709	43,709	-	713,157	738,625	(25,468)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	(1)	(1)	\$ -	-	\$ -	\$ 38,610	14,960	\$ (23,650)
OTHER FINANCING SOURCES									
Interest income		21			1			68	
NET CHANGE IN FUND BALANCES		20			1			15,028	
FUND BALANCES, BEGINNING OF YEAR		1,766			1,327			38,186	
FUND BALANCES (DEFICIT), END OF YEAR		\$ 1,786			\$ 1,328			\$ 53,214	

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
 NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2013

SCHEDULE 6

	General Education Development	Bus Driver Training	ETC Lunch Account Program	Total
ASSETS				
Cash and cash equivalents	\$ 60,859	\$ 24,675	\$ 23,012	\$ 108,546
Due from other governments	-	80	261	341
TOTAL ASSETS	<u>60,859</u>	<u>24,755</u>	<u>23,273</u>	<u>108,887</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Deferred revenues	-	-	39	39
FUND BALANCES				
Restricted	60,859	24,755	23,234	108,848
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 60,859</u>	<u>\$ 24,755</u>	<u>\$ 23,273</u>	<u>\$ 108,887</u>

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, 2013

	General Education Development	Bus Driver Training	ETC Lunch Account Program	Total
REVENUES				
Federal sources	\$ -	\$ -	\$ 25,922	\$ 25,922
State sources	-	2,283	593	2,876
Local sources	27,274	6,497	4,304	38,075
Total revenues	27,274	8,780	30,819	66,873
EXPENDITURES				
Benefits	76	-	-	76
Purchased services	19,030	1,247	30,947	51,224
Supplies and materials	6,169	141	-	6,310
Total expenditures	25,275	1,388	30,947	57,610
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,999	7,392	(128)	9,263
OTHER FINANCING SOURCE				
Interest income	296	106	116	518
NET CHANGE IN FUND BALANCES	2,295	7,498	(12)	9,781
FUND BALANCES, BEGINNING OF YEAR	58,564	17,257	23,246	99,067
FUND BALANCES, END OF YEAR	\$ 60,859	\$ 24,755	\$ 23,234	\$ 108,848

MADISON COUNTY REGIONAL OFFICE OF EDUCATION NO. 41
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 8

<u>TRS and THIS</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 3,199	\$ 114,905	\$ 114,806	\$ 3,298
Accounts receivable	192	-	-	192
TOTAL ASSETS	<u>3,391</u>	<u>114,905</u>	<u>114,806</u>	<u>3,490</u>
LIABILITIES				
Accounts payable and accrued expenses	3,391	114,905	114,806	3,490
TOTAL LIABILITIES	<u>\$ 3,391</u>	<u>\$ 114,905</u>	<u>\$ 114,806</u>	<u>\$ 3,490</u>