

STATE OF ILLINOIS  
SOUTH COOK INTERMEDIATE  
SERVICE CENTER NO. 4  
FINANCIAL AUDIT  
(IN ACCORDANCE WITH THE SINGLE AUDIT ACT  
AND OMB CIRCULAR A-133)  
FOR THE YEAR ENDED JUNE 30, 2005

PERFORMED AS SPECIAL ASSISTANT AUDITORS  
FOR THE OFFICE OF THE AUDITOR GENERAL

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
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**OFFICIALS**

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**

Executive Director	(Current and during audit period)	Dr. Diana Grossi
Executive Assistant	(Current and during audit period)	Ms. Joani Fadool
Bookkeeper	(Current and during audit period)	Ms. Shelia Williams

Offices are located at:

253 West Joe Orr Road  
Chicago Heights, IL 60422

**COMPLIANCE REPORT**  
**SUMMARY**

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

**SUMMARY OF AUDIT FINDINGS**

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	-0-	-0-
Repeated audit findings	-0-	-0-
Prior recommendations implemented or not repeated	-N/A-	-N/A-

**SUMMARY OF FINDINGS AND QUESTIONED COSTS**

<u>Item No.</u>	<u>Description</u>
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FINDINGS (GOVERNMENT AUDITING STANDARDS)

-N/A-

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

-N/A-

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

-N/A-

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

-N/A-

**EXIT CONFERENCE**

An exit conference was held with agency personnel on November 10, 2005. Attending were Dr. Diana Grossi, Executive Director. Also attending was Jeff Johnson, CPA, Senior Manager from Lindgren, Callihan, Van Osdol & Co., LTD. There were no audit findings to discuss.

**FINANCIAL STATEMENT**  
**REPORT SUMMARY**

The audit of the accompanying basic financial statements of South Cook Intermediate Service Center No. 4 was performed by Lindgren, Callihan, Van Osdol & Co., Ltd.

Based on their audit, the auditors expressed an unqualified opinion on the agency's basic financial statements.



**INDEPENDENT AUDITORS' REPORT**

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Cook Intermediate Service Center No. 4, as of and for the year ended June 30, 2005, which collectively comprise the South Cook Intermediate Service Center No. 4's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South Cook Intermediate Service Center No. 4's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Cook Intermediate Service Center No. 4, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 13, 2006 on our consideration of the South Cook Intermediate Service Center No. 4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 11 through 14, and page 33, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Cook Intermediate Service Center No. 4's basic financial statements. The Budgetary Comparison Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Budgetary Comparison Schedule and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sidman, Collier, Van Osdel & Co., Ltd.*

Dixon, Illinois  
February 13, 2006





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

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Cook Intermediate Service Center No. 4, as of and for the year ended June 30, 2005, which collectively comprise the South Cook Intermediate Service Center No. 4's basic financial statements and have issued our report thereon dated February 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the South Cook Intermediate Service Center No. 4's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Cook Intermediate Service Center No. 4's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Sidya, Collier, Van Osdel } Co., Ltd.*

Dixon, Illinois  
February 13, 2006



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

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

We have audited the compliance of the South Cook Intermediate Service Center No. 4 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The South Cook Intermediate Service Center No. 4's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the South Cook Intermediate Service Center No. 4's management. Our responsibility is to express an opinion on the South Cook Intermediate Service Center No. 4's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the South Cook Intermediate Service Center No. 4's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the South Cook Intermediate Service Center No. 4's compliance with those requirements.

In our opinion, the South Cook Intermediate Service Center No. 4 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

**Internal Control Over Compliance**

The management of the South Cook Intermediate Service Center No. 4 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the South Cook Intermediate Service Center No. 4's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Sidgen, Callahan, Von Oschell } Co., Ltd.*

Dixon, Illinois  
February 13, 2006

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**

**Schedule of Findings and Questioned Costs**

For the Year Ended June 30, 2005

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

• Material weakness(es) identified?            yes       X       no

• Reportable condition(s) identified  
not considered to be material weaknesses?            yes       X       none reported

• Noncompliance material to financial statements noted?            yes       X       no

**Federal Award:**

Internal Control over major programs:

• Material weakness(es) identified?            yes       X       no

• Reportable conditions(s) identified  
not considered to be material weaknesses?            yes       X       none reported

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

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section .510(a)?

           yes       X       no

Identification of major programs:

CFDA Number

84.348A

Name of Federal Program or Cluster

Title I - School Improvement and Accountability

Dollar threshold used to distinguish  
between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

      X       yes            no

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2005

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**Section II – Financial Statement Findings - None**

1. *Criteria/specific requirement:*
2. *Condition:*
3. *Questioned Cost:*
4. *Context:*
5. *Effect:*
6. *Cause:*
7. *Recommendation*
8. *Management's response:*

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2005

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**Section III – Federal Award Findings - None**

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**

**Summary Schedule of Prior Audit Findings**

Year Ended June 30, 2005

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-N/A-



MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)

# **SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**

## **Required Supplementary Information**

### **Management Discussion and Analysis**

Year Ended June 30, 2005

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As management of South Cook Intermediate Service Center No. 4, we offer the readers of the financial statements this narrative overview and analysis of the financial activities of South Cook Intermediate Service Center No. 4 for the year ended June 30, 2005.

Management's Discussion and Analysis (MD&A) is a new element of required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 issued in June 1999. Certain comparative information between the current year (2005) and the prior year (2004), is required to be presented in the MD&A.

MD&A is provided at the beginning of the report to provide an overview of South Cook Intermediate Service Center No. 4's financial position at June 30, 2005 and the results of operations for the year. This summary should not be taken as a replacement for the audit report, which consists of the financial statements, notes to the financial statements, required and other supplementary information.

#### **Using This Financial Report**

The financial section of this annual report consists of four parts – Independent Auditor's Reports, required supplementary information which includes the MD&A (this section), the basic financial statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of South Cook Intermediate Service Center No. 4: 1) Government-wide financial statements and 2) fund financial statements.

#### **Government – Wide Financial Statements**

The first two statements are government-wide financial statements that provide both short term and long term information about South Cook Intermediate Service Center No. 4's overall financial status, similar to a private sector business. In the government-wide financial statements, activities are shown in one category – governmental activities. South Cook Intermediate Service Center No. 4's basic service is education. These activities are largely financed with local, State and federal revenues.

The Statement of Net Assets presents information on all of South Cook Intermediate Service Center No. 4's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of South Cook Intermediate Service Center No. 4 is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. The financial statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when earned; expenditures and liabilities are recognized when the service or goods are received.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Required Supplementary Information Management Discussion and Analysis (Continued) Year Ended June 30, 2005

### Fund Financial Statements

The fund financial statements provide more detailed information about South Cook Intermediate Service Center No. 4's funds – not South Cook Intermediate Service Center No. 4 as a whole. Funds are specific segregations of cash and accounting devices South Cook Intermediate Service Center No. 4 uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law, while others are established to control and manage money for particular purposes or to show that South Cook Intermediate Service Center No. 4 is properly using certain revenues.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for each. By doing so, readers may better understand the long-term impact of South Cook Intermediate Service Center No. 4's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

South Cook Intermediate Service Center No. 4 maintains individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and the Changes in Fund Balances for all these funds. These funds are considered major funds of South Cook Intermediate Service Center No. 4. More detail of the individual revenues and expenditures for these funds is presented in the supplementary section of this report.

South Cook Intermediate Service Center No. 4 is not legally required to adopt budgets. South Cook Intermediate Service Center No. 4 is required by the Illinois State Board of Education, the granting agency, to adopt annual budgets for the Education Fund of the governmental funds. A budgetary comparison schedule has been provided as supplementary information for the major education fund only, which is in compliance with GASB Statement No. 34.

### Condensed Financial Information

Net assets are summarized in the table below.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Assets:		
Current Assets	\$3,822,636	\$2,727,774
Capital Assets	<u>2,599,463</u>	<u>2,241,552</u>
Total Assets	<u>6,422,099</u>	<u>4,969,326</u>
Liabilities:		
Current Liabilities	677,228	641,651
Non-current Liabilities	<u>-0-</u>	<u>480,953</u>
Total Liabilities	<u>677,228</u>	<u>1,122,604</u>
Net Assets:		
Invested Capital Assets, net of related debt	2,599,463	1,760,599
Unrestricted	<u>3,145,408</u>	<u>2,086,123</u>
Total Net Assets	<u>\$5,744,871</u>	<u>\$3,846,722</u>

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Required Supplementary Information Management Discussion and Analysis (Continued) Year Ended June 30, 2005

### Condensed Financial Information (continued)

Current assets consist of cash, investments, and accounts receivable.

As of June 30, 2005, South Cook Intermediate Service Center No. 4 had \$ -0- long-term debt outstanding. A payment of \$501,265, \$480,955 of principal and \$20,310 of interest was made during October 2004.

South Cook Intermediate Service Center No. 4's net assets consist of unrestricted net assets which represent net assets that have not been restricted by an outside party and invested capital assets net of related debt. This includes funds that have been designated for specific uses as well as amounts that are contractually committed for goods and services.

Revenues, expenses, and changes in net assets are summarized in the table below.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
<b>Condensed Statement of Activities</b>		
<b>For Fiscal Year Ending:</b>		
Revenues received:		
Program:		
Operating grants and contributions	\$4,975,584	\$3,450,895
General:		
Local sources	1,896,344	1,241,128
On-behalf payments	103,840	135,236
Interest	<u>86,526</u>	<u>54,129</u>
Total revenue received	<u>7,062,294</u>	<u>4,881,388</u>
Expenditures disbursed:		
Instructional services:		
Supporting services	4,892,856	3,748,846
Community services	5,912	16,046
Nonprogrammed charges	141,227	73,864
Debt Service	20,310	20,708
Administrative services:		
On-behalf payments	<u>103,840</u>	<u>135,236</u>
Total expenditures disbursed	<u>5,164,145</u>	<u>3,994,700</u>
Change in net assets	1,898,149	886,688
Net assets – beginning	<u>3,846,722</u>	<u>2,960,034</u>
Net assets – ending	<u>\$5,744,871</u>	<u>\$3,846,722</u>

# **SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**

## **Required Supplementary Information Management Discussion and Analysis (Continued) Year Ended June 30, 2005**

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Major sources of operating revenues for South Cook Intermediate Service Center No. 4 include: Federal and State grants and intergovernmental revenue.

### **Management's Analysis of the ISC's Overall Financial Position and Results of Operations**

GASB Statement No. 34 affects South Cook Intermediate Service Center No. 4's reporting model, but not the day-to-day operations or the budgeting process. South Cook Intermediate Service Center No. 4's total fund balance was \$3,145,408.

#### Capital assets

During the year ended June 30, 2005, South Cook Intermediate Service Center No. 4 invested monies to renovate a building by adding a new heating and cooling system and various other capital assets. The total amount invested in capital assets this year was \$525,517.

#### Unrestricted Net Assets

During the year, unrestricted net assets and net assets invested capital assets increased \$1,898,149 due to the fact that revenues increased at a higher rate over expenses from a year ago. Total revenue for fiscal year ended June 30, 2004 was \$4,881,388 and increased by \$2,180,906 to \$7,062,294 for fiscal year ended June 30, 2005 (primarily due to increased tuition revenue and increase in State and federal revenues for fiscal year ended June 30, 2005). Expenses increased by \$1,169,445 from \$3,994,700 in fiscal year ended June 30, 2004, to \$5,164,145 during fiscal year ended June 30, 2005. This trend is expected to continue for the coming year and future years because of the new regional safe schools facility. The factors which have contributed to this condition are explained below.

### **Factors or Conditions Impacting Future Periods**

On the revenue side, State grant revenue increased dramatically due primarily to the fact that the Regional Safe Schools and the Regional Safe Schools – State Aid Programs were considered State programs during the final three quarters of the year ended June 30, 2005. Previously, in the first quarter of the year ended June 30, 2005 and in the entire previous year, these programs were considered federal programs.

During the year, Federal grant revenues have increased moderately for reasons mentioned in the previous paragraph.

On the expenditure side, increases in service demands by growing districts in the educational service region will place pressure on spending.

In summary, this expectation of continued increases in service demand will result in larger response times, a reduced array of services, and the need to do more with both fewer human resources and less revenue.

### **Contacting the Intermediate Service Center's Financial Management**

This financial report is designed to provide the South Cook Intermediate Service Center No. 4's citizens, taxpayers, clients and other constituents with a general overview of its finances and to demonstrate accountability for the money it receives. If the reader has questions concerning this report or need additional financial information, please contact the Executive Director of the South Cook Intermediate Service Center No. 4 at 253 West Joe Orr Road, Chicago Heights, IL.

## **BASIC FINANCIAL STATEMENTS**

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Statement of Net Assets

June 30, 2005

<u>ASSETS</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,695,691
Accounts receivable - Governmental claims	126,945
Total current assets	<u>3,822,636</u>
Noncurrent assets:	
Capital Assets, being depreciated, net	<u>2,599,463</u>
Total assets	<u>6,422,099</u>
 <u>LIABILITIES</u> 	
Current Liabilities:	
Accounts payable	185,285
Accrued expenses	18,284
Deferred revenue	473,659
Total current liabilities	<u>677,228</u>
 <u>NET ASSETS</u> 	
Invested capital assets, net of related debt	2,599,463
Unrestricted	<u>3,145,408</u>
Total net assets	<u>\$ 5,744,871</u>

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

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Statement of Activities

Year Ended June 30, 2005

	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets
		Operating Grants and Contributions	Primary Government Governmental Activities
<b>FUNCTIONS/PROGRAMS</b>			
Primary government:			
Governmental activities:			
Instructional Services:			
Supporting Services	\$ 4,892,856	\$ 4,975,584	\$ 82,728
Community Services	5,912	-0-	(5,912)
Nonprogrammed Charges	141,227	-0-	(141,227)
Debt Service	20,310	-0-	(20,310)
Administrative:			
On-behalf payments	103,840	-0-	(103,840)
Total governmental activities	\$ 5,164,145	\$ 4,975,584	(188,561)
General revenues:			
Local sources			1,896,344
On-behalf payments			103,840
Interest			86,526
Transfers			
Total general revenues, special and extraordinary items, and transfers			2,086,710
Change in net assets			1,898,149
Net assets - beginning			3,846,722
Net assets - ending			\$ 5,744,871

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



**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**

**Balance Sheet  
Governmental Funds  
June 30, 2005**

---

	<u>Education Fund</u>
<b><u>ASSETS</u></b>	
Petty cash	\$ 200
Cash - Imprest Fund	10,000
Equity in pooled cash and investments	3,685,491
Accounts receivable - governmental claims	126,945
	<hr/>
Total assets	\$ 3,822,636
	<hr/> <hr/>
<b><u>LIABILITIES</u></b>	
Accounts payable	\$ 185,285
Deferred revenue	473,659
Accrued expenses	18,284
	<hr/>
Total liabilities	677,228
	<hr/>
<b><u>FUND BALANCE</u></b>	
Fund balance	3,145,408
	<hr/>
Total liabilities and fund balances	\$ 3,822,636
	<hr/> <hr/>

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

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**

**Reconciliation of the Governmental Funds Balance Sheet**

**to the Statement of Net Assets**

June 30, 2005

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Total fund balance - governmental fund \$ 3,145,408

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

Capital assets used in governmental activities are not  
financial resources and therefore, are not reported in the funds. 2,599,463

Net assets of governmental activities \$ 5,744,871

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

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
Year Ended June, 30 2005

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	<u>Education Fund</u>
<b><u>REVENUES</u></b>	
Local sources	\$ 1,982,870
State sources	2,420,770
Federal sources	2,554,814
	6,958,454
Total direct revenues	
On-behalf payments	103,840
	7,062,294
Total revenues	
<b><u>EXPENDITURES</u></b>	
Current:	
Support services	5,250,765
Community services	5,912
Nonprogrammed charges	141,227
Debt service	501,265
	5,899,169
Total direct expenditures	
On-behalf payments	103,840
	6,003,009
Total expenditures	
Excess of revenues over expenditures	1,059,285
Fund balance, July 1, 2004	2,086,123
	3,145,408
Fund balance, June 30, 2005	\$ 3,145,408

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

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds to the Statement of Activities

Year Ended June 30, 2005

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Net change in fund balances \$ 1,059,285

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	\$ 525,517	
Depreciation expense	<u>(167,606)</u>	
Net adjustment		<u>357,911</u>

The issuance of long-term debt (e.g., bonds, capital leases  
provides current financial resources to governmental  
funds while the repayment of the principal of long-term  
debt consumes the current financial resources of  
governmental funds. Neither transaction, however,  
has any effect on net assets.

The details of the difference are as follows:

Issuance of long-term debt	-0-	
Principal payments	<u>480,953</u>	
Net adjustment		<u>480,953</u>

Change in net assets of governmental activities \$ 1,898,149

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

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes To Basic Financial Statements

June 30, 2005

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Beginning on the first Monday of August 1995, each of the 45 Regional Offices of Education established pursuant to Section 3A-4 of the Illinois School Code (105 ILCS 5/3A-4) shall have an oversight board to carry out the duties and oversee the planning and delivery of programs and services as specified in the Illinois School Code (105 ILCS 5/3A-16 and 3A-17).

That portion of Cook County outside of the City of Chicago will constitute a Regional Office of Education (105 ILCS 5/3A-1) and its oversight board shall be responsible for the duties and programs specified in Section 3A-17 of the Illinois School Code and be administered through three (3) Intermediate Service Centers (North Cook, West Cook and South Cook).

South Cook now known as South Cook Intermediate Service Center No. 4 includes the area within the territorial boundaries of the following school districts:

Summit School Dist. No. 104	Willow Springs School Dist. No. 108	Indian Springs School Dist. No. 109
Central Stickney School Dist. No. 110	Burbank School Dist. No. 111	Lemont-Bromberek School Dist. No. 113A
North Palos School Dist. No. 118	Palos Com. Cons. School Dist. No. 118	Ridgeland School Dist. No. 122
Oak Lawn-Hometown School Dist. No. 123	Evergreen Park School Dist. No. 124	Atwood Heights School Dist. No. 125
Alsip/Hazelgreen/Oak Lawn School Dist. No. 126	Worth School Dist. No. 127	Chicago Ridge School Dist. No. 127 ½
Palos Heights School Dist. No. 128	Blue Island School Dist. No. 130	Calumet Park School Dist. No. 132
Patton School Dist. No. 133	Orland Park School Dist. No. 135	Kirby School Dist. No. 140
Forest Ridge School Dist. No. 142	Midlothian School Dist. No. 143	Posen-Robbins School Dist. No. 143 ½
Prairie-Hills School Dist. No. 144	Arbor Park School Dist. No. 145	Tinley Park School Dist. No. 146
Harvey/Dixmoor School Dist. No. 147	Dolton West School Dist. No. 148	Dolton School Dist. No. 149
South Holland School Dist. No. 150	South Holland School Dist. No. 151	Harvey School Dist. No. 152
Hazel Crest School Dist. No. 152 ½	Homewood School Dist. No. 153	Thornton School Dist. No. 154
Burnham School Dist. No. 154 ½	Calumet City School Dist. No. 155	Lincoln School Dist. No. 156
Hoover/Schrum School Dist. No. 157	Lansing School Dist. No. 158	Elementary District School Dist. No. 159
Country Club Hills School Dist. No. 160	Flossmoor School District No. 161	Matteson School District No. 162
Park Forest-Chicago Heights School Dist. No. 163	Brookwood School District No. 167	Community Consolidated School Dist. No. 168
Ford Heights School Dist. No. 169	Chicago Heights School District No. 170	Sunnybrook School Dist. No. 171
Sandridge School Dist. No. 172	Steger School District No. 194	Thornton Twp. H.S. Dist. No. 205
Bicom Twp. H.S. Dist. No. 206	Lemont Twp. H.S. Dist. No. 210	T-F Township H.S. Dist. No. 215
Argo Community H.S. Dist. No. 217	Community H.S. Dist. No. 218	Reavis H.S. Dist. No. 220
Rich Twp H.S. Dist. No. 227	Bremen Community H.S. Dist. No. 228	Oak Lawn Community H.S. Dist. No. 229
Consolidated H.S. Dist. No. 230	Evergreen Park H.S. Dist. No. 231	H-F Community H.S. Dist. No. 233

South Cook Intermediate Service Center No. 4 is governed by an eleven member board and the administrative agent designated for this center is Rob Grossi, Chicago Heights Bloom Township Treasurer.

In accordance with the Illinois School Code (105 ILCS 2/3.62) the services to be made available shall include the planning, implementation and evaluation of the following:

- Education for Gifted Children
- Computer Technology Education
- Mathematics, Science and Reading Resources for teachers, including continuing education, inservice training, and staff development.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes To Basic Financial Statements

June 30, 2005

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

South Cook Intermediate Service Center No. 4 may also provide training, technical assistance, coordination and planning in other program areas. The State Board of Education shall promulgate rules and regulations necessary to operate South Cook Intermediate Service Center No. 4.

#### A. Reporting Entity:

South Cook Intermediate Service Center No. 4 provides educational services to sixty-six member school districts and is governed by the Governing Board. Operations are conducted through one of its member districts which acts as its administrative agent.

These financial statements include South Cook Intermediate Service Center No. 4 and its component units, entities for which it is considered financially accountable. As defined by GASB Statement 14, "The Financial Reporting Entity", South Cook Intermediate Service Center No. 4 is not financially accountable for any other entity nor are there any other entities for which the nature and significance of their relationship with South Cook Intermediate Service Center No. 4 are such that exclusion would cause South Cook Intermediate Service Center No. 4's financial statements to be misleading or incomplete.

In addition, based upon the above criteria, South Cook Intermediate Service Center No. 4 is not aware of any entity which would be financially accountable for South Cook Intermediate Service Center No. 4, which would result in the South Cook Intermediate Service Center No. 4 being considered a component entity.

#### B. Adoption of New Accounting Standard:

In June 1999, GASB unanimously approved Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,"; Statement No 37 "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Government,"; and Statement No 38 "Certain Financial Statement Note Disclosures". Effective during this current year GASB approved Statement No. 40 "Deposit and Investment Risk Disclosures". Certain significant changes in the Statements include the following:

The financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the ISC's overall financial position and results of operations.

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements) as of June 30, 2005.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes To Basic Financial Statements

June 30, 2005

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Intermediate Service Center. These basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants 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.

The Statement of Net Assets presents information on all of South Cook Intermediate Service Center No. 4's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of South Cook Intermediate Service Center No. 4 is improving or deteriorating. The net assets of the Intermediate Service Center are classified as follows:

*Invested in Capital Assets* – represents the Intermediate Service Center's total investment in capital assets. There is no outstanding debt related to these assets.

*Unrestricted Net Assets* – represent resources used for transactions relating to the general operations of the Intermediate Service Center and may be used at the discretion of management to meet expenses for any purpose.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### D. Measurement Focus, Basis of Accounting and Basis of Presentation:

The accounts of South Cook Intermediate Service Center No. 4 are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2005

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### D. Measurement Focus, Basis of Accounting and Basis of Presentation (continued):

South Cook Intermediate Service Center No. 4 has the following fund types:

Governmental funds are used to account for general governmental activities. The governmental fund uses the flow of current financial resources measurement focus and the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e. when they are “measurable and available”). “Measurable” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. A one-year availability period is used for the governmental fund revenues.

State and federal aid and interest on investments are susceptible to accrual. Other receipts become measurable and available when cash is received and are recognized as revenue at that time.

The Education Fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

All federal, State and local programs are accounted for in the Education Fund. Federal grants that are accounted for and included in the Education Fund in the financial statements are as follows: Title IV – Community Service, Title II – Teacher Quality, Title II – Teacher Quality – Leadership, Title V – Innovative Programs Formula, Title I – School Improvement and Accountability, Title I – Reading First Part B SEA Funds, Regional Safe Schools – General State Aid (first quarter of fiscal year’s revenues and expenses), Regional Safe Schools Program (first quarter of fiscal year’s revenues and expenses), Learn and Serve America, and Title V - Innovative Programs SEA Projects.

State grants that are accounted for in the Education Fund are as follows: Math on Monday, I.S.C. Operations, Reading Improvement, Standard Aligned Classroom, Governor Operating, Other State Programs, Learning Technology Center, Regional Safe Schools – General State Aid (last three quarters of fiscal year’s revenues and expenses), and Regional Safe Schools (last three quarters of fiscal year’s revenues and expenses).

Investment income and entitlements are considered susceptible to accrual. Other receipts become measurable and available when cash is received and are recognized as revenue at that time.

Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.



# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2005

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Assets, Liabilities and Equity:

##### Deposits and Investments

Cash and investments are in the custody of the Bloom Township School Treasurer, except for petty cash and imprest funds which are in the custody of South Cook Intermediate Service Center No. 4. The Treasurer maintains one bank account, records transactions of the general fund and invests any excess cash. These investments are made in the name of the Treasurer. The Treasurer also, at times, pools the funds with other districts under his control. A portion of the pool is reported on the combined balance sheet as "Equity in Pooled Cash and Investments".

The Illinois statutes authorize the Treasurer, on South Cook Intermediate Service Center No. 4's behalf, to invest in U.S. Government, State of Illinois and municipal securities; certificates of deposit or time savings deposits insured by the FDIC; mortgage notes, bonds or debentures issued by the Federal Housing Administration; bonds and other obligations of the Federal National Mortgage Association; and certain short-term obligations of U.S. corporations.

In the selection of the authorized investment vehicles, deposits in any one financial institution shall not exceed 75% of the capital surplus/net worth of the institution as required by the School Code.

Investments are stated at fair value.

##### Prepaid Items

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

##### Capital Assets

Capital assets used in governmental fund types are recorded in the government-wide financial statements at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. 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. All capital assets, except for construction in progress, are being depreciated using the straight-line method over the following useful life:

Equipment	7 years
Buildings	40 years

Capital assets in the governmental fund financial statements are reported as expenditures when incurred.

##### Long-Term Obligations

Long-term debt of the governmental fund is reported at face value in the government-wide financial statements.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2005

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Assets, Liabilities and Equity (continued):

##### Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

### 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary Information:

The budget is prepared on the modified accrual basis of accounting for the government fund type which is an acceptable method as prescribed by the Illinois Compiled Statutes and is the same basis that is used for financial reporting. This allows for comparability between budget and actual amounts.

Federal grants administered that have budgets are as follows: Title IV – Community Service, Title II – Teacher Quality, Title II – Teacher Quality – Leadership, Title V – Innovative Programs Formula, Title I – School Improvement and Accountability, Regional Safe Schools – General State Aid (first quarter of fiscal year's revenues and expenses), Regional Safe Schools (first quarter of fiscal year's revenues and expenses), Title I – Reading First Part B SEA Funds, Learn and Serve America and Title V – Innovative Programs SEA Projects.

State grants administered that have budgets are as follows: I.S.C. Operations, Math on Mondays, Reading Improvement Block, Standard Alignment, Governor Operating, Other State Revenue, Learning Technology Center, Regional Safe Schools – General State Aid (last three quarters of fiscal year's revenues and expenses), and Regional Safe Schools (last three quarters of fiscal year's revenues and expenses).

Budget appropriations lapse at the end of each fiscal year. South Cook Intermediate Service Center No. 4 does not utilize an encumbrance system. These procedures are followed in establishing the budgetary data reflected in the financial statements.

- The Executive Director submits to the Governing Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- Prior to October 1, the budget is reviewed through the passage of a resolution.
- The Executive Director is authorized to transfer up to 10% of the total budget between various items within the fund; however, any revisions that alter the total expenditures of the general fund must be approved by the Governing Board.
- Formal Budgetary integration is employed as a management control device during the year.
- The Governing Board may amend the budget (in other ways) by the same procedures required of its original budget.

The reported budgetary data represents the original budget as reviewed.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2005

### 3. DETAILED NOTES ON FUND

#### A. Deposits and Investments:

Cash balances are maintained at one financial institution. All bank balances as of June 30, 2005 are entirely insured by the Federal Deposit Insurance Corporation.

At June 30, 2005, investment balances consisted of the following:

	Carrying Value/ Fair Value	Cost
Petty Cash	\$ 200	\$ 200
Cash Deposits	10,000	10,000
Investments not subject to categorization:		
Equity in pooled cash and investments of the Bloom Township School Treasurer	3,685,491	3,685,491
	\$3,695,691	\$3,695,691

**Credit Risk.** Credit risk is the risk of loss due to the failure of the security issuer or backer. The Trustees of Schools will minimize credit risk by:

- Limiting investments to the safest types of securities/financial instruments;
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Trustees of Schools will do business; and
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

As of June 30, 2005, the credit ratings by Moody's or Standard and Poor's were A, AA, and AAA which are all average credit quality.

**Interest Rate Risk.** The Trustees of Schools will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Structuring the investment portfolio so that a significant portion of the securities either meet cash requirements for ongoing operations or have active secondary or resale markets; and
- Investment operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

#### B. Accounts Receivable and Governmental Claims:

Accounts receivable at June 30, 2005 consisted of the following amounts due from Federal and State programs:

Reading Improvement	\$ 5,000
Title II – Teacher Quality – Leadership Grant	60,473
Title I – Reading First Part B – SEA Funds	3,140
Other State Programs	57,824
Learn and Serve America	508
	\$126,945

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2005

3. DETAILED NOTES ON FUND (continued)

C. Capital Assets:

The governmental activities capital assets activity for the year ended June 30, 2005 is as follows:

	Balance <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2005</u>
<b>Cost:</b>				
Equipment	\$1,431,054	\$ 51,718	\$ -0-	\$1,482,772
Buildings	<u>1,817,395</u>	<u>473,799</u>	<u>-0-</u>	<u>2,291,194</u>
	<u>\$3,248,449</u>	<u>\$525,517</u>	<u>\$ -0-</u>	<u>\$3,773,966</u>
 <b>Accumulated Depreciation:</b>				
Equipment	\$ 519,208	\$117,879	\$ -0-	\$ 637,087
Buildings	<u>487,689</u>	<u>49,727</u>	<u>-0-</u>	<u>537,416</u>
	<u>\$1,006,897</u>	<u>\$167,606</u>	<u>\$ -0-</u>	<u>\$1,174,503</u>
 <b>Total Capital Assets, Net</b>				
Equipment	\$ 911,846	\$(66,161)	\$ -0-	\$ 845,685
Buildings	<u>1,329,706</u>	<u>424,072</u>	<u>-0-</u>	<u>1,753,778</u>
	<u>\$2,241,552</u>	<u>\$357,911</u>	<u>\$ -0-</u>	<u>\$2,599,463</u>

Depreciation expense was charged to governmental functions as follows:

Support Services	<u>\$167,606</u>
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Certain beginning accumulated depreciation amounts for equipment and certain beginning accumulated depreciation amounts for buildings have been reclassified from the prior year, to more accurately report beginning accumulated depreciation.

D. Deferred Revenue:

Deferred revenue is recognized in programs where program monies have been received but not yet spent. The following programs recognized deferred revenue at June 30, 2005:

Title V – Innovative Programs – SEA Programs	\$ 67,919
Title I – Reading First Part B – SEA Funds	193,259
Reading Improvement Block	24,270
Title I – School Improvement and Accountability	<u>188,211</u>
	<u>\$473,659</u>

E. Long-Term Debt:

During the prior fiscal year South Cook Intermediate Service Center No. 4 entered into a long-term debt agreement to finance the building renovation located at 405 Ashland Avenue, Chicago Heights, IL. South Cook Intermediate Service Center borrowed \$510,245 on September 30, 2003. A payment of \$50,000, which included \$29,292 of principal, was paid May 20, 2004 leaving a principal balance of \$480,953 at June 30, 2004. The loan was scheduled to be financed for 5 years at 6.25%. The loan was paid in full on October 12, 2004.

Interest paid during the year was \$20,312.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2005

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### 4. OTHER INFORMATION

#### A. Risk Management:

South Cook Intermediate Service Center No. 4 is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and workers' compensation for which commercial insurance is carried. The amount of coverage has not decreased nor have the amount of settlements exceeded coverage in the current year or any of the past three years.

#### B. Employee Retirement Systems and Plans:

Teachers' Retirement System of the State of Illinois

South Cook Intermediate Service Center No. 4 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 primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the System's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2005 was 9 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The member THIS Fund contribution was 0.5 percent during year ended June 30, 2005, and the member THIS Fund health insurance contribution was 0.75 percent.

The State of Illinois makes contributions directly to TRS on behalf of TRS-covered employees.

- *On-behalf contributions.* The State of Illinois makes employer pension contributions on behalf of South Cook Intermediate Service Center No. 4. For the year ended June 30, 2005, the State of Illinois contributions were based on 11.76 percent of creditable earnings, and recognized revenue and expenditures of \$103,840 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2004 and June 30, 2003, the State of Illinois contribution rates as percentages of creditable earnings were 13.98 percent (\$135,236) and 13.01 percent (\$101,403), respectively.

South Cook Intermediate Service Center No. 4 makes three other types of employer contributions directly to TRS.

- *2.2 formula contributions.* For the year ended June 30, 2005 and June 30, 2004, employers contributed 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the years ending June 30, 2005 and June 30, 2004 were \$5,121 and \$5,611, respectively. For the year ended June 30, 2003, part of the employer's 2.2 formula contribution (0.58 percent of pay) was reduced as a result of a new employer THIS Fund contribution for retiree health insurance (0.4 percent of pay). The remaining 0.18 percent was submitted to TRS. Contributions for the year ended June 30, 2003 were \$1,403.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2005

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### 4. OTHER INFORMATION (continued)

#### B. Employee Retirement Systems and Plans (continued):

Teachers' Retirement System of the State of Illinois

- *Federal and trust fund contributions.* When TRS members are paid from federal and trust funds administered by South Cook Intermediate Service Center No. 4, there is a statutory requirement to pay an additional employer contribution from those funds. For the three years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2005, salaries totaling \$79,474 were paid from federal and trust funds that required employer contributions of \$8,345. For the years ended June 30, 2004 and June 30, 2003, required contributions were \$31,311 and \$4,223, respectively.
- *Early Retirement Option.* South Cook Intermediate Service Center No. 4 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. No member or employer contributions are required if the member has 34 years of service. The maximum employer payment of 100 percent of the member's highest salary used in the calculation of final average salary is required if the member is 55 years old. For the year ending June 30, 2005, the district paid \$ -0- for employer contributions under the Early Retirement Option. For the years ended June 30, 2004 and June 30, 2003, the district paid \$ -0- and \$ -0-, respectively.

#### Changes

Public Act 94-0004, which was signed into law on June 1, 2005, contained a number of provisions affecting employer and active member contributions. Most will not be effective or impact financial statements until the year ending June 30, 2006. The changes are summarized below:

- *Active Member Contributions.* The active member contribution rate will increase from the current 9.0 percent of creditable earnings to 9.4 percent beginning July 1, 2005. The increase is to help cover the cost of the new ERO program and will be refunded if the member does not retire under ERO.
- *State/federal contributions.* Under a policy adopted by the Board of Trustees before Public Act 94-0004 was enacted, the employer contribution rate for employees paid from federal funds will be the same as the rate paid by the state. Under Public Act 94-0004, the state contribution rate in FY 2006 was reduced to 7.06 percent of pay. Therefore, the employer contribution rate for employees paid from federal funds in FY 2006 will be 7.06 percent, a decrease from the current 10.50 percent.

#### New Employer Contributions

- *Salary increases over 6 percent.* If employers grant salary increases in excess of 6 percent that are used in final average salary calculations, the employer will make a lump-sum contribution to TRS to cover the cost of the portion of the benefit due to salary increases over 6 percent. Public Act 94-0004, exempts salary increases granted under contracts and collective bargaining agreements in effect on June 1, 2005.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2005

### 4. OTHER INFORMATION (continued)

#### B. Employee Retirement Systems and Plans (continued):

Teachers' Retirement System of the State of Illinois (continued)

- *Sick Leave in excess of normal allotment.* If employers grant sick leave near retirement in excess of the normal annual allotment and that sick leave is counted as service credit, the employer will make a lump-sum contribution to TRS. The act exempts sick leave granted under contracts and collective bargaining agreements in effect on June 1, 2005.
- *Early retirement option.* In addition to changes described above, the following changes were made to ERO:
  1. Both active member and employer ERO contribution rates are increased. For employers, the maximum contribution increases from the current 100 percent of the member's highest salary used in the calculation of final average salary to 117.5 percent.
  2. The waiver of member and employer ERO contributions when the member has 34 years of service ended with the program that expired June 30, 2005.
  3. A "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007.
  4. Public Act 94-0004 provides for a review of the member and employer ERO contributions every five years to ensure that the program is revenue neutral.

TRS financial information, an explanation of TRS benefits and descriptions of member and state funding requirements can be found in the TRS Comprehensive Annual Financial Report for the year ended June 30, 2004. The report for the year ended June 30, 2005 is expected to be available late 2005. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, Illinois 62794-9253. The most current report is also available on the TRS web site at [www.trs.state.il.us](http://www.trs.state.il.us).

#### Illinois Municipal Retirement Fund

South Cook Intermediate Service Center No. 4's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a financial report that includes financial statements and required supplementary information. That report may be obtained at [www.imrf.org/pubs/pubs\\_homepage.htm](http://www.imrf.org/pubs/pubs_homepage.htm) or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. South Cook Intermediate Service Center #4 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2004 was 7.54% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2004 was 5 years.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2005

### 4. OTHER INFORMATION (continued)

#### B. Employee Retirement Systems and Plans (continued):

##### Illinois Municipal Retirement Fund (continued)

For December 31, 2004, the annual pension cost of \$30,276 was equal to required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit; and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2004 actuarial valuation were based on the 1999-2001 Experience Study.

#### TREND INFORMATION

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/04	30,276	100%	\$0
12/31/03	24,356	100%	\$0
12/31/02	8,726	100%	\$0
12/31/01	14,594	100%	\$0
12/31/00	3,083	100%	\$0
12/31/99	8,053	100%	\$0
12/31/98	11,146	100%	\$0
12/31/97	9,907	100%	\$0
12/31/96	12,761	100%	\$0
12/31/95	14,325	100%	\$0

### 5. FUTURE CHANGE IN ACCOUNTING PRINCIPLES

In April 2004, the Governmental Accounting Standards Board (GASB) issued Statement 43 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This Statement amends certain provisions of Statement 25 and 26. The Center is required to implement this standard for the fiscal year ending June 30, 2007. The Center has not yet determined the full impact that adoption of GASB Statement 43 will have on the financial statements.

In December 2004, the Governmental Accounting Standards Board (GASB) issued Statement 46 "Net Assets Restricted by Enabling Legislation." This Statement amends certain provision of Statement 34. The Center is required to implement this standard for the fiscal year ending June 30, 2006. The Center has not yet determined the full impact that adoption of GASB Statement 46 will have on the financial statements.

In June 2005, the Governmental Accounting Board (GASB) issued Statement 47 "Accounting for Termination Benefits." This Statement amends certain provision of Statement 34. The Center is required to implement this standard for the fiscal year ending June 30, 2006. The Center has not yet determined the full impact that adoption of GASB Statement 47 will have on the financial statements.



**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Other than Management's Discussion and Analysis)**

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Illinois Municipal Retirement Fund – Schedule of Funding Progress**  
**(Unaudited)**  
June 30, 2005

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	365,325	482,612	117,287	75.70%	401,539	29.21%
12/31/03	313,946	337,990	24,044	92.89%	322,177	7.46%
12/31/02	296,042	279,210	(16,832)	106.03%	307,261	0.00%
12/31/01	253,240	220,501	(32,739)	114.85%	273,298	0.00%
12/31/00	252,135	194,943	(57,192)	129.34%	168,480	0.00%
12/31/99	211,903	168,081	(43,822)	126.07%	151,091	0.00%
12/31/98	167,320	144,858	(22,462)	115.51%	154,802	0.00%
12/31/97	179,282	165,768	(13,514)	108.15%	166,435	0.00%
12/31/96	153,263	147,986	(5,277)	103.57%	175,063	0.00%
12/31/95	135,657	119,545	(16,112)	113.48%	165,226	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2004 is \$366,323. On a market basis, the funded ratio would be 75.90%.

**Digest of Changes-**

The actuarial assumptions used to determine the actuarial accrued liability for 2004 are based on the 1999-2001 Experience Study.

The principal changes were:

- Fewer members are expected to take refunds early in their career.
- For Regular members, fewer normal and early retirements are expected to occur.

OTHER SUPPLEMENTARY INFORMATION

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Budgetary Comparison Schedule

### Education Fund

Year Ended June 30, 2005

<u>REVENUES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Local Sources</b>			
Interest	\$ 35,000	\$ 86,526	\$ 51,526
Services Provided Other LEA's	725,000	1,896,344	1,171,344
Total Local Sources	760,000	1,982,870	1,222,870
<b>State Sources</b>			
Regional Safe Schools-General State Aid	363,696	363,696	-0-
Regional Safe Schools Program	902,357	902,357	-0-
Reading Improvement	53,850	34,580	(19,270)
Governor Operating	190,634	190,992	358
Math on Monday	-0-	14,931	14,931
Other State Programs	900,000	820,582	(79,418)
I.S.C. Operations	47,100	47,100	-0-
Standard Aligned Classroom	19,100	20,100	1,000
Learning Technology Center	13,500	26,432	12,932
Total State Sources	2,490,237	2,420,770	(69,467)
<b>Federal Sources</b>			
Regional Safe Schools - General State Aid	72,739	72,739	-0-
Regional Safe Schools Program	214,906	214,906	-0-
Learn and Serve America	10,000	5,508	(4,492)
Title V - Innovative Programs - Formula	127	127	-0-
Title I - School Improvement and Accountability	2,140,924	1,571,065	(569,859)
Title IV - Community Service	-0-	57,640	57,640
Title II - Teacher Quality	-0-	1,493	1,493
Title II - Teacher Quality - Leadership	176,964	191,222	14,258
Title V - Innovative Programs - SEA Projects	250,000	182,081	(67,919)
Title I - Reading First Part B SEA Funds	625,236	258,033	(367,203)
Total Federal Sources	3,490,896	2,554,814	(936,082)
Total Direct Revenues	6,741,133	6,958,454	217,321
On-behalf Payments	-0-	103,840	103,840
Total Revenues	6,741,133	7,062,294	321,161

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Budgetary Comparison Schedule

### Education Fund (Continued)

Year Ended June 30, 2005

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Support Services			
Instructional Staff			
Instruction			
Salaries	715,985	656,291	59,694
Employee Benefits	92,554	82,497	10,057
Supplies and Materials	37,884	20,331	17,553
Capital Outlay	38,280	38,280	-0-
Attendance and Social Work Services			
Salaries	35,050	8,997	26,053
Employee Benefits	2,737	2,213	524
Purchased Services	36,030	2,394	33,636
Supplies and Materials	1,984	812	1,172
Improvement of Instruction Services			
Salaries	888,790	789,772	99,018
Employee Benefits	186,906	156,169	30,737
Purchased Services	3,543,166	1,951,829	1,591,337
Supplies and Materials	273,461	109,782	163,679
Capital Outlay	59,578	80,488	(20,910)
Educational Media Services			
Purchased Services	8,000	-0-	8,000
Supplies and Materials	4,000	1,410	2,590
Total Instructional Staff	5,924,405	3,901,265	2,023,140
General Administration			
Board of Education Services			
Purchased Services	39,000	11,338	27,662
Executive Administration Services			
Salaries	155,055	116,828	38,227
Employee Benefits	33,728	25,803	7,925
Purchased Services	94,087	98,465	(4,378)
Supplies and Materials	15,400	71,200	(55,800)
Capital Outlay	4,000	15,389	(11,389)
Other Objects	2,000	515	1,485

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Budgetary Comparison Schedule

### Education Fund (Continued)

Year Ended June 30, 2005

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Office of Principal Services			
Salaries	119,350	119,158	192
Employee Benefits	13,446	13,440	6
Purchased Services	4,600	1,246	3,354
Supplies and Materials	6,000	84	5,916
	<u>486,666</u>	<u>473,466</u>	<u>13,200</u>
Business			
Construction			
Capital Outlay	-0-	473,799	(473,799)
Fiscal Services			
Capital Outlay	150,000	-0-	150,000
Operation and Maintenance of Plant Services			
Salaries	30,000	32,450	(2,450)
Employee Benefits	4,562	4,778	(216)
Purchased Services	72,688	173,280	(100,592)
Supplies and Materials	60,627	55,355	5,272
Capital Outlay	8,000	5,502	2,498
Pupil Transportation			
Purchased Services	16,354	2,634	13,720
Food Services			
Purchased Services	-0-	11,553	(11,553)
Central			
Planning, Research and Development and Evaluation Services			
Salaries	9,500	17	9,483
Employee Benefits	1,500	43	1,457
Purchased Services	-0-	24,200	(24,200)
Supplies and Materials	28,000	-0-	28,000
Data Processing Services			
Salaries	30,000	-0-	30,000
Employee Benefits	3,950	-0-	3,950
Purchased Services	-0-	50,816	(50,816)
	<u>415,181</u>	<u>834,427</u>	<u>(419,246)</u>

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Budgetary Comparison Schedule

### Education Fund (Continued)

Year Ended June 30, 2005

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other Support Services			
Purchased Services	27,000	41,607	(14,607)
Total Other Support Services	27,000	41,607	(14,607)
Total Support Services	6,853,252	5,250,765	1,602,487
Community Services			
Supplies and Materials	-0-	5,912	(5,912)
Total Community Services	-0-	5,912	(5,912)
Nonprogrammed Charges			
Other Payments to In-State Government Units Transfers	175,457	141,227	34,230
Total Nonprogrammed Charges	175,457	141,227	34,230
Debt Service			
Principal	-0-	480,953	(480,953)
Interest	-0-	20,312	(20,312)
Total Debt Service	-0-	501,265	(501,265)
Total Direct Expenditures	7,028,709	5,899,169	1,129,540
On-behalf Payments	-0-	103,840	(103,840)
Total Expenditures	7,028,709	6,003,009	1,025,700
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ - (287,576)</u>	1,059,285	<u>\$ 1,346,861</u>
Fund Balance, July 1, 2004		2,086,123	
Fund Balance, June 30, 2005		<u>\$ 3,145,408</u>	

**FEDERAL COMPLIANCE SECTION**



**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**

**Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2005

Federal Grantor/ Program or Cluster Title	CFDA Number (A)	Project # or Contract # (B)	Expenditures	
			7/01/03 - 6/30/04 (C)	7/01/04 - 06/30/05 (D)
U.S. Dept. of Health and Human Services passed through Illinois State Board of Education (ISBE):				
Regional Safe Schools Program TANF	93.558	05-3696-00		214,906
Regional Safe Schools Program - General State Aid TANF	93.558	05-3001-93		72,739
				287,645
U.S. Dept. of Education passed through Illinois State Board of Education (ISBE):				
Title I - School Improvement and Accountability (M)	84.348A	04-4331-00	247,143	1,740
Title I - School Improvement and Accountability (M)	84.348A	04-4331-SS	171,836	55,240
Title I - School Improvement and Accountability (M)	84.348A	05-4331-SS		1,514,085
			418,979	1,571,065
Learn & Serve America	94.004	05-4910-00		5,508
Title IV - Community Service	84.184C	04-4420-00	137,175	57,640
Title II - Teacher Quality	84.340A	05-4932-00		1,493
Title II - Teacher Quality - Leadership Grant	84.340A	04-4935-SS	8,778	14,258
Title II - Teacher Quality - Leadership Grant	84.340A	05-4935-SS		176,964
			8,778	192,715
Title V - Innovative Programs - Formula	84.298A	05-4100-00		127
Title V - Innovative Programs - SEA Projects	84.298A	05-4105-00		132,081
Title V - Innovative Programs - SEA Projects	84.298A	05-4105-SS		50,000
				182,208
Title I - Reading First Part B SEA Funds	84.357A	04-4337-04	48,282	4,226
Title I - Reading First Part B SEA Funds	84.357A	04-4337-02	12,536	1,223
Title I - Reading First Part B SEA Funds	84.357A	04-4337-01	150,000	-0-
Title I - Reading First Part B SEA Funds	84.357A	04-4337-00	94,364	1,130

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**

**Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2005

Federal Grantor/ Program or Cluster Title	CFDA Number (A)	Project # or Contract # (B)	Expenditures	
			7/01/03 - 6/30/04 (C)	7/01/04 - 06/30/05 (D)
Title I - Reading First Part B SEA Funds	84.357A	05-4337-00		43,101
Title I - Reading First Part B SEA Funds	84.357A	05-4337-01		150,000
Title I - Reading First Part B SEA Funds	84.357A	05-4337-02		25,405
Title I - Reading First Part B SEA Funds	84.357A	05-4337-04		32,948
			305,182	258,033
Total Expenditures of Federal Awards			\$ 870,114	\$ 2,554,814

(M) - Program was audited as a major program.

The accompanying notes are an integral part of this schedule.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of South Cook Intermediate Service Center No. 4 and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

### NOTE 2 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, South Cook Intermediate Service Center No. 4 provided federal awards to subrecipients were as follows:

PROGRAM TITLE	FEDERAL CFDA #	AMOUNT PROVIDED TO SUBRECIPIENTS
-NONE-	-N/A-	-N/A-

### NOTE 3 – DESCRIPTION OF MAJOR PROGRAM

The following federal program was audited as a major program in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

#### Title I – School Improvement & Accountability:

This program is part of the Center's System of Support Coordination and Services Plan. The program is part of a strategy to nurture and assist low-performing schools in Southern Cook County. Services initially are targeted in 69 elementary and high schools now on the Academic Early Warning List (AEWL), with provision to support additional schools when they are identified. Moreover, schools in jeopardy of being identified as low-performing will be encouraged to access school improvement resources on a fee for services basis.

The goals of the program are to:

- Establish a regional support system to provide improvement support to schools and districts on the AEWL and AWL;
- Assist other schools and districts whose performance make placement on the list in the near future likely;
- Build capacity within each targeted school and district for continuous school improvement;
- Serve all schools and districts identified for support in the region and assist and collaborate with other regional centers to provide full coverage of targeted districts through efficient and cost-effective programs; and
- Provide the Suburban Cook County Regional Office of Education with school improvement consultants to evaluate various sections of the school improvement plan.

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**

**Notes to the Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2005

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NOTE 4 – NONCASH ASSISTANCE

-NONE-

NOTE 5 – LOAN AND LOAN GUARANTEES OUTSTANDING

-NONE-

NOTE 6 – INSURANCE

-NONE-