

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, 2009

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

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**TABLE OF CONTENTS**

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Officials	1
Compliance Report Summary	2
Financial Statement Report Summary	3
INDEPENDENT AUDITORS' REPORT	4 – 5
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	6 – 7
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	8 – 9
Schedule of Findings and Questioned Costs	10 – 13
Corrective Action Plan for Current Year Audit Findings	14
Summary Schedule of Prior Audit Findings	15
Management's Discussion and Analysis	16 – 19
FINANCIAL STATEMENTS	
Statement of Net Assets	20
Statement of Activities	21
Balance Sheet – Governmental Funds	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds to the Statement of Activities	25
Notes to Basic Financial Statements	26 – 38
REQUIRED SUPPLEMENTARY INFORMATION (Other than Management's Discussion and Analysis)	
Illinois Municipal Retirement Fund – Schedule of Funding Progress	39

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**TABLE OF CONTENTS (Continued)**

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OTHER SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – Education Fund Accounts 40 – 43

FEDERAL COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards 44

Notes to the Schedule of Expenditures of Federal Awards 45 – 46

**OFFICIALS**

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

Executive Director	(Current and during audit period)	Dr. Vanessa Kinder
Executive Assistant	(Current and during audit period)	Ms. Joani Fadool
Bookkeeper	(Current and during audit period)	Ms. Shelia Ivy

Offices are located at:

253 West Joe Orr Road  
Chicago Heights, IL 60411

**COMPLIANCE REPORT**  
**SUMMARY**

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

**AUDITORS' REPORTS**

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

**SUMMARY OF AUDIT FINDINGS**

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	1	1
Repeated audit findings	1	-0-
Prior recommendations implemented or not repeated	0	1

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

**SUMMARY OF FINDINGS AND QUESTIONED COSTS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
09-1	11	Controls Over Financial Statement Preparation	Material Weakness

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**

The Center waived having an exit conference per a letter dated March 14, 2010. Responses to the recommendations were provided by Dr. Vanessa Kinder, Executive Director, in a letter dated March 18, 2010.

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

The audit of the accompanying basic financial statements of South Cook Intermediate Service Center No. 4 was performed by Bass, Solomon, and Dowell, LLP.

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

Board of Directors  
South Cook Intermediate Service Center No. 4

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, 2009, 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, 2009, 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 April 8, 2010 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 16 through 19, and page 39, 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.

*Case, Johnson & O'Neill, LLP*

Palatine, Illinois  
April 8, 2010

**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

Board of Directors  
South Cook Intermediate Service Center No. 4

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, 2009, which collectively comprise the South Cook Intermediate Service Center No. 4's basic financial statements and have issued our report thereon dated April 8, 2010. 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 South Cook Intermediate Service Center No. 4's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Cook Intermediate Service Center No. 4's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Cook Intermediate Service Center No. 4's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in finding 09-1 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

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*.

South Cook Intermediate Service Center No. 4's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit South Cook Intermediate Service Center No. 4's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the organization, the 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.

*Bess, Johnson & Howell, LLP*

Palatine, Illinois  
April 8, 2010

**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

Board of Directors  
South Cook Intermediate Service Center No. 4

**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, 2009. 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, 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, 2009.

## 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Cook Intermediate Service Center No. 4's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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.

*Bass, Johnson & Co. LLP*

Palatine, Illinois  
April 8, 2010

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2009

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### 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?  X  yes   no
- Significant deficiency(ies) 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
- Significant deficiency(ies) 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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010A</u>	<u>Title I - School Improvement &amp; Accountability</u>
<u>84.367A</u>	<u>Title II - Teacher Quality - Leadership Grant</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

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

Auditee qualified as low-risk auditee?   yes  X  no

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2009

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**Section II – Financial Statement Findings**

**Finding No. 09-1 – Controls Over Financial Statement Preparation (Repeat of Finding 08-1)**

1. *Criteria/specific requirement:*

South Cook Intermediate Service Center No. 4 (Service Center) is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). South Cook Intermediate Service Center No. 4's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

2. *Condition:*

South Cook Intermediate Service Center No. 4 does not have sufficient internal controls over the financial reporting process. The Service Center maintains its accounting records on the cash basis of accounting. While the Service Center maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors in their review of the Service Center's accounting records noted the following:

- The Service Center did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenue.
- Numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.

3. *Effect:*

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

4. *Cause:*

According to South Cook Intermediate Center No. 4's officials, they did not have adequate funding to hire and/or train accounting personnel in order to comply with these requirements.

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2009

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**Section II – Financial Statement Findings (Concluded )**

**Finding No. 09-1 – Controls Over Financial Statement Preparation  
(Repeat of Finding 08-1) (Concluded)**

5. *Recommendation*

As part of its internal control over the preparation of financial statements, including disclosures, we recommend that South Cook Intermediate Service Center No. 4 implement comprehensive preparation and/or review procedures to ensure that financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of Intermediate Service Center's activities and operations .

6. *Management's response:*

South Cook Intermediate Service Center No. 4 has discussed the options concerning the capabilities of preparing financial statements, including complete footnote disclosures, that would not require significant changes by the auditor. We believe that it would not be cost beneficial to hire another employee or service provider to perform such a task. South Cook Intermediate Service Center No. 4 is confident in the abilities of the accounting/bookkeeping staff to prepare cash basis financial information as needed for reporting purposes throughout the year. Management will pursue additional training when it is considered cost beneficial since training costs would take away from the funds available to provide educational services for the schools in the region.

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2009

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**Section III – Federal Award Findings**

There were no findings for the fiscal year ended June 30, 2009.

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Corrective Action Plan for Current-Year Audit Finding**  
Year Ended June 30, 2009

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Corrective Action Plan

**Finding No. 09-1 - Controls Over Financial Statement Preparation**

**Condition:**

South Cook Intermediate Service Center No. 4 does not have sufficient internal controls over the financial reporting process. The Service Center maintains its accounting records on the cash basis of accounting. While the Service Center maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors in their review of the Service Center's accounting records noted the following:

- The Service Center did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenue.
- Numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.

**Corrective Action Plan:**

The Executive Director agrees with the finding, but believes that the hiring and training of an individual with a thorough understanding of applicable generally accepted accounting principles and GASB pronouncements would be too costly. However, South Cook Intermediate Service Center No. 4 will continue to seek improvement within their internal controls system.

**Anticipated Date of Completion:**

The Center will implement the corrective action plan immediately .

**Name of Contact Person:**

Dr. Vanessa Kinder, Executive Director .

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Summary Schedule of Prior Audit Findings**  
Year Ended June 30, 2009

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<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
08-1	Controls Over Financial Statement Preparation	Repeated

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Required Supplementary Information**  
**Management's Discussion and Analysis**  
Year Ended June 30, 2009

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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, 2009.

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 (2009) and the prior year (2008) 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, 2009 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 incurred.

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Required Supplementary Information**  
**Management 's Discussion and Analysis (Continued)**  
Year Ended June 30, 2009

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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 an individual governmental fund. 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 this fund. This fund is considered a major fund of South Cook Intermediate Service Center No. 4. More detail of the individual revenues and expenditures for this fund 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.

	<b>June 30, 2009</b>	<b>June 30, 2008</b>
<b>Assets:</b>		
Current Assets	\$ 7,313,219	\$ 8,527,255
Capital Assets	<u>3,853,090</u>	<u>3,993,314</u>
Total Assets	<u>11,166,309</u>	<u>12,520,569</u>
<b>Liabilities:</b>		
Current Liabilities	656,935	1,435,284
Non-current Liabilities	<u>-0-</u>	<u>-0-</u>
Total Liabilities	<u>656,935</u>	<u>1,435,284</u>
<b>Net Assets:</b>		
Invested Capital Assets, net of related debt	3,853,090	3,993,314
Unrestricted	<u>6,656,284</u>	<u>7,091,971</u>
Total Net Assets	<u>\$10,509,374</u>	<u>\$ 11,085,285</u>

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Required Supplementary Information**  
**Management 's Discussion and Analysis (Continued)**  
Year Ended June 30, 2009

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Condensed Financial Information (continued)

Current assets consist of cash, investments , and accounts receivable-governmental claims.

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.

<b>Condensed Statement of Activities</b>		
<b>For Fiscal Year Ending:</b>		
	<b>June 30, 2009</b>	<b>June 30, 2008</b>
Revenues received:		
Program:		
Operating grants and contributions	\$ 5,871,867	\$ 5,878,446
General:		
Local sources	1,004,193	1,826,431
On-behalf payments	245,998	173,400
Interest	<u>195,340</u>	<u>292,297</u>
Total revenue received	<u>7,317,398</u>	<u>8,170,574</u>
Expenditures disbursed:		
Instruction	1,197,554	1,202,047
Supporting services	5,351,674	5,326,526
Community services	-0-	-0-
Nonprogrammed charges	1,098,083	79,688
Debt Service	-0-	-0-
Administrative services:		
On-behalf payments	<u>245,998</u>	<u>173,400</u>
Total expenditures disbursed	<u>7,893,309</u>	<u>6,781,661</u>
Change in net assets	(575,911)	1,388,913
Net assets – beginning	<u>11,085,285</u>	<u>9,696,372</u>
Net assets – ending	<u>\$ 10,509,374</u>	<u>\$ 11,085,285</u>

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Concluded)**  
Year Ended June 30, 2009

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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**

The cost of government activities for this year was \$7,893,309. Federal grants, State grants, and Local sources financed most of this or \$7,071,400. South Cook Intermediate Service Center No. 4's total fund balance was \$6,656,284.

Capital assets

During the year ended June 30, 2009, South Cook Intermediate Service Center No. 4 invested monies to various capital assets. Total additions this year were \$134,828. Capital asset additions consisted primarily of the purchase of computers and surveillance equipment.

Unrestricted Net Assets

During the year, net assets decreased by \$575,911. This is mainly due to the completion of South Cook Intermediate Service Center No. 4's administrative offices and school building. Total revenue for fiscal year ended June 30, 2008 was \$8,170,574 and decreased by \$853,176 to \$7,317,398 for fiscal year ended June 30, 2009. Expenses increased by \$1,111,648 from \$6,781,661 in fiscal year ended June 30, 2008, to \$7,893,309 in fiscal year ended June 30, 2009. The factors which have contributed to this condition are explained below.

**Factors or Conditions Impacting Future Periods**

On the revenue side, even though State and Federal grant monies remained stable, local revenue decreased due to the lower number of participants enrolled in the various programs offered by South Cook Intermediate Service Center No. 4.

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

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

**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, 2009

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<u>ASSETS</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 6,327,656
Accounts receivable - governmental claims	<u>985,563</u>
Total current assets	<u>7,313,219</u>
Noncurrent assets:	
Capital Assets, being depreciated, net	<u>3,853,090</u>
Total assets	<u>11,166,309</u>
 <u>LIABILITIES</u>  	
Current Liabilities:	
Accounts payable	205,406
Deferred revenue	<u>451,529</u>
Total current liabilities	<u>656,935</u>
 <u>NET ASSETS</u>  	
Invested capital assets, net of related debt	3,853,090
Unrestricted	<u>6,656,284</u>
Total net assets	<u>\$ 10,509,374</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, 2009

	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:			
Instruction	\$ 1,197,554	\$ 900,495	\$ (297,059)
Supporting services	5,351,674	3,874,709	(1,476,965)
Nonprogrammed charges	1,098,083	1,096,663	(1,420)
Administrative:			
On-behalf payments	245,998	-0-	(245,998)
Total governmental activities	\$ 7,893,309	\$ 5,871,867	(2,021,442)
General revenues:			
Local sources			1,004,193
On-behalf payments			245,998
Interest			195,340
Total general revenues, special and extraordinary items, and transfers			1,445,531
Change in net assets			(575,911)
Net assets - beginning			11,085,285
Net assets - ending			\$ 10,509,374

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, 2009**

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	<u>Education Fund</u>
<b><u>ASSETS</u></b>	
Petty cash	\$ 200
Cash - imprest fund	10,000
Equity in pooled cash and investments	6,317,456
Accounts receivable - governmental claims	<u>985,563</u>
Total assets	<u>\$ 7,313,219</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	\$ 205,406
Deferred revenue	<u>451,529</u>
Total liabilities	<u>656,935</u>
<b><u>FUND BALANCE</u></b>	
Fund balance	<u>6,656,284</u>
Total liabilities and fund balances	<u>\$ 7,313,219</u>

The notes to the financial statements 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, 2009

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Total fund balance - governmental fund	\$ 6,656,284
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.	<u>3,853,090</u>
Net assets of governmental activities	<u><u>\$ 10,509,374</u></u>

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 2009

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	<u>Education Fund</u>
<b><u>REVENUES</u></b>	
Local sources	\$ 1,199,533
State sources	2,742,829
Federal sources	3,129,038
Total direct revenues	7,071,400
On-behalf payments	245,998
Total revenues	7,317,398
<b><u>EXPENDITURES</u></b>	
Current:	
Instruction	1,197,554
Support services	5,211,450
Nonprogrammed charges	1,098,083
Total direct expenditures	7,507,087
On-behalf payments	245,998
Total expenditures	7,753,085
Excess (deficiency) of revenues over (under) expenditures	(435,687)
Fund balance, July 1, 2008	7,091,971
Fund balance, June 30, 2009	\$ 6,656,284

The notes to the financial statements 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, 2009

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Net change in fund balances	\$	(435,687)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$ 134,828	
Depreciation expense	<u>(275,052)</u>	
Net adjustment		(140,224)
Loss on disposal of capital assets		<u>-0-</u>
Change in net assets of governmental activities	\$	<u><u>(575,911)</u></u>

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, 2009

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 Dist. No. 161	Matteson School Dist. No. 162
Park Forest-Chicago Heights School Dist. No. 163	Brookwood School Dist. No. 167	Community Consolidated School Dist. No. 168
Ford Heights School Dist. No. 169	Chicago Heights School Dist. No. 170	Sunnybrook School Dist. No. 171
Sandridge School Dist. No. 172	Steger School Dist. 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 a twelve member board. The administrative agent designated for this center is Thomas Amadio, School District 170 Superintendent. Robert Grossi, of the Bloom Township Treasurer's Office, is the 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, in-service training, and staff development.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2009

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

South Cook Intermediate Service Center No. 4 (also referred to herein as “Center”) 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. 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. Under the terms of grant agreements, South Cook Intermediate Service Center No. 4 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is the policy of South Cook Intermediate Service Center No. 4 to first apply cost-reimbursement grant resources to such programs and then general revenues.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2009

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

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* – represents 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.

#### C. 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 has the following fund type:

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 sixty day 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 II – Teacher Quality – Leadership Grant: This program provides professional development for teachers in schools that are in academic early warning status. This program provides funding to help offset the cost of training teachers.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2009

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Title I – Reading First Part B SEA Funds: Funding which provides reading support to teachers in schools that are having academic difficulty and that have a high incidence of low income students. Reading First regions are identified by ISBE and funding goes to those agencies identified by the State.

Title I – School Improvement and Accountability: This program provides direct technical assistance to schools and districts in academic status. The program provides funds to put school support teams (educational advisors) in each school in academic trouble.

Learn and Serve America: A program comprised of community service activities for students aligned to school curriculum.

State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act: Funds are used to assist States in implementing and maintaining their statewide systems of early intervention services.

State grants that are accounted for and included in the Education Fund are as follows:

Regional Safe Schools Program: Alternative program created through State legislation for students in grades 6 through 12 that have multiple suspensions or that have been expelled from their district. Eligible students are administratively transferred from their district into this program.

Regional Safe Schools – General State Aid: This program is for students placed in Regional Safe Schools. Districts give up their General State Aid claim for the students while placed in the Regional Safe Schools program.

I.S.C. Operations: Program monies for Center administrative operations. Program funding is used to keep offices open in order to provide professional development to teachers in the area.

Other State Programs: System-of-Support funding that assists districts having academic difficulty to align their curriculum to Illinois Standards.

National Board Certification for Teachers: Accounts for the money received and the expenditures incurred in providing training and professional development for teachers to earn their national board certification .

ROE/ISC Services Grant: This grant is designed to aid with building operations and to provide professional development for South Cook Intermediate Service Center No. 4 staff.

Gifted Education: Block grants of funding received from the State of Illinois, which can be used to fund all aspects of education .

Teacher & Administrators Mentoring Program: Designed to provide professional development for novice teachers and designed specifically for the needs of beginning teachers.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2009

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

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

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.

#### D. 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. South Cook Intermediate Service Center No. 4's threshold for capitalizing fixed assets are those with a cost of \$5,000 or more. 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 are being depreciated using the straight-line method over the following useful life:

Furniture & Equipment	5 - 15 years
Buildings	40 years

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

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2009

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

#### D. Assets, Liabilities and Equity (concluded):

##### Long-Term Obligations

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

##### 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.

#### E. New Accounting Pronouncements :

Effective for the year ending June 30, 2009, the Center adopted GASB Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*, which establishes criteria that governments will use to address the current or potential detrimental effects of existing pollution. There was no significant impact on the Center's financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2009, the Center adopted GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which requires endowments to report their land and other real estate investments at fair value. The statement has had no effect on South Cook Intermediate Service Center No. 4's net assets or changes in net assets.

### 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary Information :

Although the operating budget was reviewed, South Cook Intermediate Service Center No. 4 did not formally adopt a budget for the year ended June 30, 2009 and is not legally required to do so. However, the Illinois State Board of Education requires budgets for certain State and Federal programs. These budgets were used to prepare the Budgetary Comparison Schedule of the Education Fund.

The budget is prepared on the modified accrual basis of accounting for the governmental 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 II – Teacher Quality – Leadership Grant, Title I – School Improvement and Accountability, Title I – Reading First Part B SEA Funds, Learn and Serve America and the State Fiscal Stabilization Fund – Education State Grants, Recovery Act grant.

State grants administered that have budgets are as follows: I.S.C. Operations, ROE/ISC Services Grant, Teachers & Administrators Mentoring Program, Gifted Education, Other State Programs, National Board Certification for Teachers, Regional Safe Schools – General State Aid and Regional Safe Schools.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2009

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### 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (concluded)

#### A. Budgetary Information (concluded):

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.

### 3. CASH AND INVESTMENTS

Cash balances are maintained at one financial institution. All bank balances as of June 30, 2009 are entirely insured by the Federal Deposit Insurance Corporation.

At June 30, 2009, investment balances consisted of the following:

	<u>Carrying Value/ Fair Value</u>	<u>Cost</u>
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	<u>6,317,456</u>	<u>6,317,456</u>
	<u>\$6,327,656</u>	<u>\$6,327,656</u>

**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.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2009

### 3. CASH AND INVESTMENTS (concluded)

As of June 30, 2009, 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.

### 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009 consisted of the following amount due from the following programs:

Title I – Reading First Part B SEA Funds	\$ 237,638
Regional Safe Schools	576,545
ROE/ISC Operations	28,000
Teacher & Administrator Mentoring Program	21,438
Other State Programs	<u>121,942</u>
	<u>\$ 985,563</u>

### 5. CAPITAL ASSETS

The governmental activities capital assets activity for the year ended June 30, 2009 is as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<b>Cost:</b>				
Equipment	\$1,751,278	\$ 113,007	\$ 1,331	\$ 1,862,954
Buildings	<u>3,989,714</u>	<u>21,821</u>	<u>-0-</u>	<u>4,011,535</u>
	<u>\$5,740,992</u>	<u>\$ 134,828</u>	<u>\$ 1,331</u>	<u>\$ 5,874,489</u>
<b>Accumulated Depreciation:</b>				
Equipment	\$ 994,568	\$ 175,007	\$ 1,331	\$ 1,168,244
Buildings	<u>753,110</u>	<u>100,045</u>	<u>-0-</u>	<u>853,155</u>
	<u>\$1,747,678</u>	<u>\$ 275,052</u>	<u>\$ 1,331</u>	<u>\$ 2,021,399</u>
<b>Total Capital Assets, Net</b>				
Equipment	\$ 756,710	\$ (62,000)	\$ -0-	\$ 694,710
Buildings	<u>3,236,604</u>	<u>(78,224)</u>	<u>-0-</u>	<u>3,158,380</u>
	<u>\$3,993,314</u>	<u>\$ (140,224)</u>	<u>\$ -0-</u>	<u>\$ 3,853,090</u>

Depreciation expense was charged to governmental functions as follows:

Support Services	<u>\$ 275,052</u>
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# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2009

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6. 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, 2009:

Title I – School Improvement & Accountability	\$ 314,298
Title II – Teacher Quality – Leadership Grant	<u>137,231</u>
	<u>\$ 451,529</u>

7. 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, 2009 was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was 0.63 percent during year ended June 30, 2009, and the member THIS Fund health insurance contribution was 0.84 percent.

The State of Illinois makes contributions directly to TRS on behalf of South Cook Intermediate Service Center No. 4's 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, 2009, the State of Illinois contributions were based on 17.08 percent of creditable earnings, and the Center recognized revenue and expenditures of \$245,998 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2008 and June 30, 2007, the State of Illinois contribution rates as percentages of creditable earnings were 13.11 percent (\$173,400) and 9.78 percent (\$138,167), respectively.

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Notes to Basic Financial Statements**  
June 30, 2009

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7. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Plans (continued):

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

The State contributions to TRS for the year ended June 30, 2009 and June 30, 2008 were based on an actuarial formula. The State contribution for the year ended June 30, 2007 was based on dollar amounts specified by the statute and was not actuarially determined.

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

- *2.2 formula contributions*. Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the year ended June 30, 2009 were \$8,354. Contributions for the years ending June 30, 2008, and June 30, 2007, were \$7,671 and \$8,194, respectively.
- *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 for the Center to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and trust funds will be the same as the State contribution rate to TRS. For the year ended June 30, 2009, the employer pension contribution was 17.08 percent of salaries paid from federal and special trust funds.

For the years ended June 30, 2008 and June 30, 2007, the employer contributions were 13.11 percent and 9.78 percent of salaries paid from federal and trust funds, respectively. For the year ended June 30, 2009, salaries totaling \$135,386 were paid from federal and special trust funds that required employer contributions of \$23,124. For the years ended June 30, 2008 and June 30, 2007, required contributions were \$16,300 and \$14,462, 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 and under which ERO program the member retires.

Under Public Act 94-0004, a "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007. If members do not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS.

Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies for the Pipeline ERO).

Under the Pipeline ERO, the maximum employer contribution was 100 percent of the member's highest salary used in the final average salary calculation.

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Notes to Basic Financial Statements**  
June 30, 2009

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7. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Plans (continued):

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

Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement.

For the year ended June 30, 2009, the Center paid \$-0- to TRS for employer contributions under the ERO program. For the years ended June 30, 2008 and June 30, 2007, the Center paid \$-0- in employer ERO contributions.

- *Salary increases over 6 percent and excess sick leave.* Public Act 94-0004 added two new employer contributions to TRS.

If an employer grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases of up to 6 percent.

For the year ended June 30, 2009, the Center paid \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2008 and June 30, 2007, the Center paid \$-0- in employer contributions due on salary increases in excess of 6 percent.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (18.67 percent of salary during the year ended June 30, 2009).

For the year ended June 30, 2009, the Center paid \$-0- to TRS for sick leave days granted in the excess of the normal annual allotment. For the years ended June 30, 2008 and June 30, 2007, the Center paid \$-0- in employer contributions granted for sick leave days.

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, 2009. The report for the year ended June 30, 2009, is available on the TRS website at [www.trs.illinois.gov](http://www.trs.illinois.gov). The report may also 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.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2009

### 7. OTHER INFORMATION (continued)

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

Illinois Municipal Retirement Fund

##### Plan Description

South Cook Intermediate Service Center No. 4's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois.

IMRF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

##### Funding Policy

As set by statute, South Cook Intermediate Service Center No. 4's regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2008 was 11.07 percent of annual covered payroll. South Cook Intermediate Service Center No. 4 also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

##### Annual Pension Cost

For 2008, South Cook Intermediate Service Center No. 4's annual pension cost of \$95,418 for the Regular plan was equal to South Cook Intermediate Service Center No. 4's required and actual contributions.

##### **Three-Year Trend Information for the Regular Plan**

<b>Actuarial Valuation Date</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
<b>12/31/08</b>	\$ 95,418	100%	\$0
<b>12/31/07</b>	\$ 96,216	100%	\$0
<b>12/31/06</b>	\$ 103,771	100%	\$0

The required contribution was determined as part of the December 31, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2006, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% 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 South Cook Intermediate Service Center No. 4's plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. South Cook Intermediate Service Center No. 4's regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at the December 31, 2006, valuation was 5 years.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2009

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7. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Plans (concluded):

Illinois Municipal Retirement Fund (concluded)

Funded Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the Regular plan was 84.16 percent funded. The actuarial accrued liability for benefits was \$1,054,459 and the actuarial value of assets was \$887,385, resulting in an underfunded accrued liability (UAAL) of \$167,074. The covered payroll (annual payroll of active employees covered by the plan) was \$861,953 and the ratio of the UAAL to the covered payroll was 19 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**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, 2009

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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)
12/31/08	\$887,385	\$1,054,459	\$167,074	84.16%	\$861,953	19.38%
12/31/07	777,230	889,372	112,142	87.39%	817,468	13.72%
12/31/06	632,622	758,663	126,041	83.39%	801,940	15.72%

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On a market value basis, the actuarial value of assets as of December 31, 2008 is \$690,707. On a market basis, the funded ratio would be 65.50%.

**Digest of Changes:**

The actuarial assumptions used to determine the actuarial accrued liability for 2008 are based on the 2005-2007 Experience Study.

OTHER SUPPLEMENTARY INFORMATION

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Budgetary Comparison Schedule**  
**Education Fund Accounts**  
Year Ended June 30, 2009

<u>REVENUES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Local Sources</b>			
Interest	\$ 300,000	\$ 195,340	\$ (104,660)
Services Provided Other LEA's	1,050,000	1,004,193	(45,807)
Total Local Sources	<u>1,350,000</u>	<u>1,199,533</u>	<u>(150,467)</u>
<b>State Sources</b>			
Regional Safe Schools - General State Aid	750,000	822,632	72,632
Regional Safe Schools Program	1,262,937	1,262,937	-0-
ROE/ISC Services Grant	195,007	195,007	-0-
Other State Programs	457,212	367,061	(90,151)
I.S.C. Operations	56,006	56,006	-0-
Teachers & Administrators Mentoring Program	124,565	21,438	(103,127)
Gifted Education	303,965	-0-	(303,965)
National Board Certification for Teachers	50,000	17,748	(32,252)
Total State Sources	<u>3,199,692</u>	<u>2,742,829</u>	<u>(456,863)</u>
<b>Federal Sources</b>			
Learn and Serve America	15,000	17,208	2,208
State Fiscal Stabilization Fund- Education			
State Grants Recovery Act	243,195	243,195	-0-
Title I - School Improvement and Accountability	2,183,848	1,688,339	(495,509)
Title II - Teacher Quality - Leadership Grant	327,434	342,467	15,033
Title I - Reading First Part B SEA Funds	841,162	837,829	(3,333)
Total Federal Sources	<u>3,610,639</u>	<u>3,129,038</u>	<u>(481,601)</u>
Total Direct Revenues	<u>8,160,331</u>	<u>7,071,400</u>	<u>(1,088,931)</u>
On-behalf Payments	<u>-0-</u>	<u>245,998</u>	<u>245,998</u>
Total Revenues	<u>8,160,331</u>	<u>7,317,398</u>	<u>(842,933)</u>

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Budgetary Comparison Schedule Education Fund Accounts (Continued)

Year Ended June 30, 2009

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Instruction			
Salaries	1,036,011	1,023,273	12,738
Employee Benefits	162,023	155,301	6,722
Purchased Services	10,000	9,380	620
Supplies and Materials	3,000	-0-	3,000
Capital Outlay	8,000	9,600	(1,600)
Total Instruction	<u>1,219,034</u>	<u>1,197,554</u>	<u>21,480</u>
Support Services			
Instructional Staff			
Improvement of Instruction Services			
Salaries	1,385,153	1,257,599	127,554
Employee Benefits	273,494	255,755	17,739
Purchased Services	2,614,518	1,841,049	773,469
Supplies and Materials	422,984	374,822	48,162
Capital Outlay	41,000	53,830	(12,830)
Educational Media Services			
Supplies and Materials	3,500	354	3,146
Total Instructional Staff	<u>4,740,649</u>	<u>3,783,409</u>	<u>957,240</u>
General Administration			
Executive Administration Services			
Salaries	366,832	265,362	101,470
Employee Benefits	49,800	30,759	19,041
Purchased Services	213,000	54,932	158,068
Supplies and Materials	20,000	31,520	(11,520)
Capital Outlay	-0-	3,005	(3,005)
Other Objects	4,000	2,381	1,619
Office of Principal Services			
Salaries	316,586	317,937	(1,351)
Employee Benefits	83,142	83,812	(670)
Purchased Services	6,000	31,065	(25,065)
Supplies and Materials	7,500	4,895	2,605
Equipment	7,000	1,116	5,884
Total General Administration	<u>1,073,860</u>	<u>826,784</u>	<u>247,076</u>

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Budgetary Comparison Schedule Education Fund Accounts (Continued)

Year Ended June 30, 2009

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>EXPENDITURES</u></b>			
Business			
Facility Acquisition & Construction Services			
Purchased Services	-0-	-0-	-0-
Capital Outlay	-0-	16,274	(16,274)
Operation and Maintenance of Plant Services			
Salaries	485,710	199,762	285,948
Employee Benefits	23,447	24,011	(564)
Purchased Services	164,579	167,789	(3,210)
Supplies and Materials	106,906	75,842	31,064
Capital Outlay	50,000	46,062	3,938
Pupil Transportation			
Purchased Services	20,000	20,252	(252)
Food Services			
Purchased Services	-0-	-0-	-0-
Supplies and Materials	-0-	5,445	(5,445)
Data Processing Services			
Salaries	80,000	39,234	40,766
Employee Benefits	14,753	6,586	8,167
Purchased Services	-0-	-0-	-0-
Supplies and Materials	-0-	-0-	-0-
 Total Business	 <u>945,395</u>	 <u>601,257</u>	 <u>344,138</u>

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Budgetary Comparison Schedule Education Fund Accounts (Continued) Year Ended June 30, 2009

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>EXPENDITURES</u></b>			
Other Support Services			
Employee Benefits	-0-	-0-	-0-
Supplies and Materials	-0-	-0-	-0-
Total Other Support Services	-0-	-0-	-0-
Total Support Services	6,759,904	5,211,450	1,548,454
Nonprogrammed Charges			
Other Payments to In-State Government Units			
Purchased Services	153,115	1,098,083	(944,968)
Total Direct Expenditures	8,132,053	7,507,087	624,966
On-behalf Payments	-0-	245,998	(245,998)
Total Expenditures	8,132,053	7,753,085	378,968
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 28,278</u>	(435,687)	<u>\$ (463,965)</u>
Fund Balance, July 1, 2008		7,091,971	
Fund Balance, June 30, 2009		<u>\$ 6,656,284</u>	

**FEDERAL COMPLIANCE SECTION**

## SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

### Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

Federal Grantor/ Program or Cluster Title	CFDA Number (A)	Project # or Contract # (B)	Expenditures	
			7/01/07 - 6/30/08 (C)	7/01/08 - 06/30/09 (D)
Corporation for National and Community Services passed through Illinois State Board of Education (ISBE):				
Learn & Serve America	94.004	09-4910-00	\$ -0-	\$ 15,000
Learn & Serve America	94.004	08-4910-00	10,792	2,208
			10,792	17,208
U.S. Dept. of Education passed through Illinois State Board of Education (ISBE):				
Title I - School Improvement and Accountability (M)	84.010A	09-4331-SS	-0-	1,789,055
Title I - School Improvement and Accountability (M)	84.010A	08-4331-SS	1,020,133	1,163,715
			1,020,133	2,952,770
State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act (Education Stabilization Fund)				
	84.394	09-4850-93	-0-	243,195
			-	243,195
Title II - Teacher Quality - Leadership Grant (M)	84.367A	09-4935-SS	-0-	31,833
Title II - Teacher Quality - Leadership Grant (M)	84.367A	08-4935-SS	16,800	310,634
			16,800	342,467
Title I - Reading First Part B SEA Funds	84.357A	09-4337-04	-0-	48,998
Title I - Reading First Part B SEA Funds	84.357A	09-4337-00	-0-	567,846
Title I - Reading First Part B SEA Funds	84.357A	08-4337-04	144,367	41,930
Title I - Reading First Part B SEA Funds	84.357A	08-4337-00	599,591	179,055
			743,958	837,829
Total Expenditures of Federal Awards			\$ 1,791,683	\$ 4,393,469

(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, 2009

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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 – SUB-RECIPIENTS

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

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

NOTE 3 – DESCRIPTION OF MAJOR PROGRAMS

The following federal programs were 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 59 elementary and high schools and 33 districts now on the Academic Early Warning List (AEWL) and Academic Watch List (AWL), with provision to support additional districts and 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; and
- 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.

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Notes to the Schedule of Expenditures of Federal Awards**  
Year Ended June 30, 2009

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NOTE 3 – DESCRIPTION OF MAJOR PROGRAMS (Concluded )

Title II – Teacher Quality - Leadership Grant:

The purpose of the program is to increase academic achievement by improving teacher and principal quality. This program is carried out by: increasing the number of highly qualified teachers in classrooms; increasing the number of highly qualified principals and assistant principals in schools; and increasing the effectiveness of teachers and principals by holding LEAs and schools accountable for improvements in student academic achievement.

Agencies are held accountable to the public for improvements in academic achievement. Title II, Part A provides these agencies the flexibility to use these funds creatively to address challenges to teacher quality, teacher preparation and qualifications of new teachers, recruitment and hiring, induction, professional development, teacher retention, or the need for more capable principals and assistant principals to serve as effective school leaders.

State-level activities include but are not limited to:

- Recruiting and retaining highly qualified teachers and principals;
- Increasing the number of highly qualified teachers in classrooms; and
- Reforming teacher and principal certification programs.

NOTE 4 – NONCASH ASSISTANCE

-NONE-

NOTE 5 – LOAN AND LOAN GUARANTEES OUTSTANDING

-NONE-

NOTE 6 – INSURANCE

-NONE-