

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, 2010

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. 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	1
Prior recommendations implemented or not repeated	0	0

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)			
10-1	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 February 24, 2011. Responses to the recommendations were provided by Dr. Vanessa Kinder, Executive Director, in a letter dated February 24, 2011.

**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, 2010, 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, 2010, 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 25, 2011 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, the Illinois Municipal Retirement Fund-Schedule of Funding Progress and the Post Employment Benefits Other than Pensions Schedule of Funding Progress, on pages 16 through 19, page 44 and page 45, 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.

*Ernst, Johnson & O'Neill LLP*

Palatine, Illinois  
February 25, 2011

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

Honorable William G. Holland  
Auditor General  
State of Illinois

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, 2010, which collectively comprise the South Cook Intermediate Service Center No. 4's basic financial statements and have issued our report thereon dated February 25, 2011. 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 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 10-1 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 entity, 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.

*Ernst, Johnson & Powell, LLP*

Palatine, Illinois  
February 25, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 South Cook Intermediate Service Center No. 4's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South Cook Intermediate Service Center No. 4's major federal programs for the year ended June 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

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 the requirements that could have a direct and material effect on a major federal program to determine the 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, 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 deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 entity, 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.

*Cass, Solomon & Duell LLP*

Palatine, Illinois  
February 25, 2011

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2010

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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>84.394</u>	<u>State Fiscal Stabilization Fund - Education State Grants, Recovery Act</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, 2010

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**Section II – Financial Statement Findings**

**Finding No. 10-1 – Controls Over Financial Statement Preparation (Repeat of Finding 09-1 and 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, 2010

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

**Finding No. 10-1 – Controls Over Financial Statement Preparation**  
**(Repeat of Finding 09-1 and 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 the 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, 2010

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**Section III – Federal Award Findings**

There were no findings for the fiscal year ended June 30, 2010.

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Corrective Action Plan for Current-Year Audit Finding**  
Year Ended June 30, 2010

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Corrective Action Plan

**Finding No. 10-1 - 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, 2010

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<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
09-1	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, 2010**

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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, 2010.

Management's Discussion and Analysis (MD&A) is an 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 (2010) and the prior year (2009) 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, 2010 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, 2010

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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 Balance 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 Balance 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.

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets:		
Current Assets	\$ 7,582,540	\$ 7,313,219
Capital Assets	<u>3,600,257</u>	<u>3,853,090</u>
Total Assets	<u>11,182,797</u>	<u>11,166,309</u>
Liabilities:		
Current Liabilities	756,370	656,935
Non-current Liabilities	<u>-0-</u>	<u>-0-</u>
Total Liabilities	<u>756,370</u>	<u>656,935</u>
Net Assets:		
Invested Capital Assets, net of related debt	3,600,257	3,853,090
Unrestricted	<u>6,826,170</u>	<u>6,656,284</u>
Total Net Assets	<u>\$10,426,427</u>	<u>\$ 10,509,374</u>

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
Year Ended June 30, 2010

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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 and invested capital assets net of related debt.

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>		
	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Revenues received:		
Program:		
Operating grants and contributions	\$ 6,261,232	\$ 5,871,867
General:		
Local sources	1,044,946	1,004,193
On-behalf payments	362,498	245,998
Interest	<u>206,486</u>	<u>195,340</u>
Total revenue received	<u>7,875,162</u>	<u>7,317,398</u>
Expenditures disbursed:		
Instruction	1,100,793	1,197,554
Supporting services	5,554,861	5,351,674
Community services	-0-	-0-
Nonprogrammed charges	939,957	1,098,083
Debt Service	-0-	-0-
Administrative services:		
On-behalf payments	<u>362,498</u>	<u>245,998</u>
Total expenditures disbursed	<u>7,958,109</u>	<u>7,893,309</u>
Change in net assets	(82,947)	(575,911)
Net assets – beginning	<u>10,509,374</u>	<u>11,085,285</u>
Net assets – ending	<u>\$ 10,426,427</u>	<u>\$ 10,509,374</u>

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Concluded)**  
Year Ended June 30, 2010

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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**

As shown in the condensed Statement of Activities, the cost of government activities for this year was \$7,958,109. Federal and State grants financed 80% of this or \$6,261,232. Local sources were the next largest contributor with \$1,044,946.

Capital assets

During the year ended June 30, 2010, South Cook Intermediate Service Center No. 4 invested monies in various capital assets. Total additions this year were \$29,185. Capital asset additions consisted primarily of the purchase of computers and surveillance equipment.

Unrestricted Net Assets

During the year, net assets decreased by \$82,947, which is significantly lower than the \$575,911 decrease for fiscal year ended June 30, 2009. Total revenue for fiscal year ended June 30, 2009 was \$7,317,398 and increased by \$557,764 to \$7,875,162 for fiscal year ended June 30, 2010. Expenses increased by \$64,800 from \$7,893,309 in fiscal year ended June 30, 2009, to \$7,958,109 in fiscal year ended June 30, 2010. 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 had a moderate increase; local revenue was higher due to a greater 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, 2010

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<u>ASSETS</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 6,820,150
Accounts receivable - governmental claims	<u>762,390</u>
Total current assets	<u>7,582,540</u>
Noncurrent assets:	
Capital Assets, being depreciated, net	<u>3,600,257</u>
Total assets	<u>11,182,797</u>
 <u>LIABILITIES</u> 	
Current Liabilities:	
Accounts payable	638,753
Deferred revenue	<u>117,617</u>
Total current liabilities	<u>756,370</u>
 <u>NET ASSETS</u> 	
Invested capital assets, net of related debt	3,600,257
Unrestricted	<u>6,826,170</u>
Total net assets	<u>\$ 10,426,427</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, 2010

	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	\$ 1,100,793	\$ 790,051	\$ (310,742)
Supporting services	5,554,861	4,333,386	(1,221,475)
Nonprogrammed charges	939,957	1,137,795	197,838
Administrative:			
On-behalf payments	362,498	-0-	(362,498)
Total governmental activities	\$ 7,958,109	\$ 6,261,232	(1,696,877)
General revenues:			
Local sources			1,044,946
On-behalf payments			362,498
Interest			206,486
Total general revenues, special and extraordinary items, and transfers			1,613,930
Change in net assets			(82,947)
Net assets - beginning			10,509,374
Net assets - ending			\$ 10,426,427

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, 2010**

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	<u>Education Fund</u>
<b><u>ASSETS</u></b>	
Petty cash	\$ 200
Cash - Imprest fund	10,000
Cash - Old Second Bank	4,555
Equity in pooled cash and investments	6,805,395
Accounts receivable - governmental claims	<u>762,390</u>
Total assets	<u>\$ 7,582,540</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	\$ 638,753
Deferred revenue	<u>563,683</u>
Total liabilities	<u>1,202,436</u>
<b><u>FUND BALANCE</u></b>	
Fund balance	<u>6,380,104</u>
Total liabilities and fund balances	<u>\$ 7,582,540</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, 2010

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Total fund balance - governmental fund	\$ 6,380,104
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.	3,600,257
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	<u>446,066</u>
Net assets of governmental activities	<u><u>\$ 10,426,427</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 2010

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	<u>Education Fund</u>
<b><u>REVENUES</u></b>	
Local sources	\$ 1,251,432
State sources	2,105,010
Federal sources	3,710,156
Total direct revenues	7,066,598
On-behalf payments	362,498
Total revenues	7,429,096
<b><u>EXPENDITURES</u></b>	
Current:	
Instruction	1,100,793
Support services	5,302,028
Nonprogrammed charges	939,957
Total direct expenditures	7,342,778
On-behalf payments	362,498
Total expenditures	7,705,276
Excess (deficiency) of revenues over (under) expenditures	(276,180)
Fund balance, July 1, 2009	6,656,284
Fund balance, June 30, 2010	\$ 6,380,104

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 Balances to the Statement of Activities**  
**Governmental Funds**  
Year Ended June 30, 2010

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Net change in fund balances	\$	(276,180)
<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	\$ 29,185	
Depreciation expense	<u>(280,634)</u>	
Net adjustment		(251,449)
Loss on disposal of capital assets		(1,384)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		<u>446,066</u>
Change in net assets of governmental activities	\$	<u><u>(82,947)</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, 2010

### 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; and
- 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, 2010

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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.

Based upon the above criteria, Intermediate Service Center No. 4 is not aware of any entity which would be financially accountable for Intermediate Service Center No. 4, which would result in 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, 2010

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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 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 that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used 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, 2010

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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.

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 Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act: The objectives of the SFSF – Government Services program are to support public safety and other government services, which may include assistance for elementary and secondary education and public institutions of higher education (IHEs), and for modernization, renovation, or repair of public school facilities and IHE facilities.

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. Funding is used to keep offices open in order to provide professional development to teachers in the area.

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

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 .

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, 2010

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Early Childhood Monitoring: Provides for grants to establish programs that offer coordinated services to at-risk infants, toddlers, and their families.

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 asset lives are not capitalized. All capital assets are being depreciated using the straight-line method over the following useful life:

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2010

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

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

Furniture & Equipment	5 - 15 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.

#### 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:

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, 2010 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, State Fiscal Stabilization Fund – Education State Grants, Recovery Act and the State Fiscal Stabilization Fund – Government Services, Recovery Act.

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

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2010

### 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 at several financial institutions. All bank balances as of June 30, 2010 are entirely insured by the Federal Deposit Insurance Corporation.

June 30, 2010, investment balances consisted of the following:

	<u>Carrying Value/ Fair Value</u>	<u>Cost</u>
Petty Cash	\$ 200	\$ 200
Cash Deposits	14,555	14,555
Investments not subject to categorization: Equity in pooled cash and investments of the Bloom Township School Treasurer	<u>6,805,395</u>	<u>6,805,395</u>
	<u>\$6,820,150</u>	<u>\$6,820,150</u>

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2010

3. CASH AND INVESTMENTS (concluded)

**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, 2010, 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, 2010 consisted of the following :

Title I – Reading First Part B SEA Funds	\$ 58,924
Regional Safe Schools	554,876
ROE/ISC Operations	122,356
Teacher & Administrator Mentoring Program	<u>26,234</u>
	<u>\$ 762,390</u>

5. CAPITAL ASSETS

The governmental activities capital assets activity for the year ended June 30, 2010 is as follows:

	Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2010</u>
<b>Cost:</b>				
Equipment	\$1,862,954	\$ 29,185	\$ 5,245	\$ 1,886,894
Buildings	<u>4,011,535</u>	<u>-0-</u>	<u>-0-</u>	<u>4,011,535</u>
	<u>\$5,874,489</u>	<u>\$ 29,185</u>	<u>\$ 5,245</u>	<u>\$ 5,898,429</u>

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2010

5. CAPITAL ASSETS (concluded)

**Accumulated  
Depreciation:**

Equipment	\$1,168,244	\$ 180,316	\$ 3,861	\$ 1,344,699
Buildings	853,155	100,318	-0-	953,473
	<u>\$2,021,399</u>	<u>\$ 280,634</u>	<u>\$ 3,861</u>	<u>\$ 2,298,172</u>

**Total Capital  
Assets, Net**

Equipment	\$ 694,710	\$ (151,131)	\$ 1,384	\$ 542,195
Buildings	3,158,380	(100,318)	-0-	3,058,062
	<u>\$3,853,090</u>	<u>\$ (251,449)</u>	<u>\$ 1,384</u>	<u>\$ 3,600,257</u>

Depreciation expense was charged to governmental functions as follows:

Support Services	<u>\$ 280,634</u>
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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, 2010:

Title I – School Improvement & Accountability	\$ 33,866
Title II – Teacher Quality – Leadership Grant	854
Gifted Education	<u>82,897</u>
	<u>\$ 117,617</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 for the year ended June 30, 2010 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. The active member contribution rate was also 9.4 percent for the years ended June 30, 2009 and 2008.

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Notes to Basic Financial Statements**  
June 30, 2010

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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 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, 2010, the State of Illinois contributions were based on 23.38 percent of creditable earnings not paid from federal funds, and the Center recognized revenue and expenditures of \$349,926 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2009 and June 30, 2008, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 17.08 percent (\$245,998) and 13.11 percent (\$173,400), respectively.

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

- *2.2 formula contributions*. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2010 were \$8,681. Contributions for the years ending June 30, 2009, and June 30, 2008, were \$8,354 and \$7,671, respectively.
- *Federal and special trust fund contributions*. When TRS members are paid from federal and special 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 special trust funds will be the same as the State contribution rate to TRS.

For the year ended June 30, 2010, the employer pension contribution was 23.38 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2009 and June 30, 2008, the employer contributions were 17.08 percent and 13.11 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2010, salaries totaling \$140,689 were paid from federal and special trust funds that required employer contributions of \$32,893. For the years ended June 30, 2009 and June 30, 2008, required contributions were \$23,124 and \$16,300, 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.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2010

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### 7. OTHER INFORMATION (continued)

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

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

Public Act 94-0004 made changes in the ERO program that were in effect for all ERO retirements in fiscal years 2008 through 2010. The act increased member and employer contributions and eliminated the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service.

Under the current ERO, the maximum employer contribution is 117.5 percent and applies when the member is age 55 at retirement.

For the year ended June 30, 2010, the Center paid \$-0- to TRS for employer contributions under the ERO program. For the years ended June 30, 2009 and June 30, 2008, the Center paid \$-0- in employer ERO contributions.

- *Salary increases over 6 percent and excess sick leave.* Public Act 94-0004 added two additional 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, 2010, the Center paid \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2009 and June 30, 2008, 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 (18.55 percent of salary during the year ended June 30, 2010).

For the year ended June 30, 2010, 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, 2009 and June 30, 2008, the Center paid \$-0- in employer contributions granted for sick leave days, respectively.

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2009. The report for the year ended June 30, 2010, is expected to be available in late 2010. 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. The most current report is also available on the TRS Web site at [trs.illinois.gov](http://trs.illinois.gov).

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2010

### 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 2009 was 10.64 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 fiscal year ending December 31, 2009, South Cook Intermediate Service Center No. 4's annual pension cost of \$96,385 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>12/31/09</b>	\$ 96,385	100%	\$0
<b>12/31/08</b>	\$ 95,418	100%	\$0
<b>12/31/07</b>	\$ 96,216	100%	\$0

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2010

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### 7. OTHER INFORMATION (continued)

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

##### Illinois Municipal Retirement Fund (concluded)

The required contribution for 2009 was determined as part of the December 31, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, 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 10% 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 15% 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, 2007, valuation was 5 years.

##### Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the Regular plan was 79.52 percent funded. The actuarial accrued liability for benefits was \$1,277,461 and the actuarial value of assets was \$1,015,859, resulting in an underfunded accrued liability (UAAL) of \$261,602. The covered payroll (annual payroll of active employees covered by the plan) was \$905,873 and the ratio of the UAAL to the covered payroll was 29 percent. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect 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. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 10 year basis.

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.

#### C. Postemployment Benefits other than Pensions:

##### 1) Illinois Municipal Retirement Fund

##### Plan Description

In addition to providing the pension benefits described, South Cook Intermediate Service Center No. 4 provides postemployment health care benefits (OPEB) for retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the Intermediate Service Center No. 4 and can be amended by board approval. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

##### Benefits Provided

The Intermediate Service Center No. 4 provides continued health insurance coverage at the blended employer rate to all eligible retirees in accordance with Illinois Compiled Statutes, which creates an implicit subsidy of retiree health insurance.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2010

7. OTHER INFORMATION (continued)

C. Postemployment Benefits other than Pensions (continued):

To be eligible for benefits, an employee must qualify for retirement under the Intermediate Service Center No. 4 retirement plan. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree is no longer eligible to participate in the plan, but can purchase a Medicare supplement plan from the Intermediate Service Center No. 4 insurance provider.

Membership

At June 30, 2010 membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	-
Terminated Employees Entitled to Benefits but not yet Receiving Them	-
Active Vested Employees	10
Active Nonvested Employees	28
	38
 TOTAL	 38
 Participating Employers	 1

Funding Policy

The Intermediate Service Center No. 4 is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

The Intermediate Service Center No. 4 had an actuarial valuation performed for the plan as of July 1, 2009 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended June 30, 2010.

Annual OPEB Costs and Net OPEB Obligation

The Intermediate Service Center No. 4's annual OPEB cost (expense) of \$8,043 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of July 1, 2009. The Intermediate Service Center No. 4's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2010 was as follows (information for the two preceding years is not available as an actuarial valuation was performed for the first time as of July 1, 2009):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 8,043	\$ -	0%	\$ 8,043

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Notes to Basic Financial Statements**  
June 30, 2010

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7. OTHER INFORMATION (continued)

C. Postemployment Benefits other than Pensions (continued):

The net OPEB obligation as of July 1, 2009, was calculated as follows:

Annual Required Contribution	\$	8,043
Interest on Net OPEB Obligation		-
Adjustment to Annual Required Contribution		-
		-
Annual OPEB Cost		8,043
Contributions Made		-
		-
Increase (decrease) in Net OPEB Obligation		8,043
Net OPEB Obligation Beginning of Year		-
		-
<b>NET OPEB OBLIGATION END OF YEAR</b>	<b>\$</b>	<b>8,043</b>

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2009, was as follows:

Actuarial Accrued Liability (AAL)	\$	59,133
Actuarial Value of Plan Assets		-
Unfunded Actuarial Accrued Liability (UAAL)		59,133
Funded Ratio (Actuarial Value of Plan Assets/AAL)		0.0%
Covered Payroll (Active Plan Members)	\$	N/A
UAAL as a Percentage of Covered Payroll		0.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2010

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7. OTHER INFORMATION (continued)

C. Postemployment Benefits other than Pensions (continued):

1) Illinois Municipal Retirement Fund (concluded)

In the July 1, 2009, actuarial valuation, the entry age method was used. The actuarial assumptions included a discount rate of 5.00% and an initial healthcare cost trend rate of 8.00% with a 6.00% increase for later years. Both rates include a 3.00% inflation assumption.

The actuarial value of assets was not determined as the Intermediate Service Center No.4 has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized using an open, level percentage of pay method. The remaining amortization period at July 1, 2009 was 30 years.

2) Teacher Health Insurance Security Fund

South Cook Intermediate Service Center No. 4 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multi-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants may participate in the state administered participating provider option plan or choose from several managed care options.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The Illinois Department of Healthcare and Family Services (HFS) and the Illinois Department of Central Management Services (CMS) administer the plan with the cooperation of TRS. The director of HFS determines the rates and premiums for annuitants and dependent beneficiaries and establishes the cost-sharing parameters. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to the TRS who are not employees of the state make contributions to THIS.

The percentage of employer required contributions in the future will be determined by the director of Health Care and Family Services and will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

On behalf contributions to THIS Fund

The State of Illinois makes employer retiree health insurance contributions on behalf of South Cook Intermediate Service Center No. 4. State contributions are intended to match contributions to THIS Fund from active members which were 0.84 percent of pay during the year ended June 30, 2010. State of Illinois contributions were \$12,572, and South Cook Intermediate Service Center No. 4 recognized revenue and expenditures of this amount during the year.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2010

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7. OTHER INFORMATION (continued)

C. Postemployment Benefits other than Pensions (continued):

2) Teacher Health Insurance Security Fund (concluded)

Had the Intermediate Service Center No. 4 recognized revenue and expenditures for State contributions intended to match active member contributions during the years ended June 30, 2009 and June 30, 2008, under the current standards, the contribution match would have been .84 percent of pay or \$12,098 and \$11,110 respectively.

Employer Contributions to THIS Fund

South Cook Intermediate Service Center No. 4 also makes contributions to THIS Fund. The Center THIS Fund contribution was 0.63 percent during the years ended June 30, 2010, June 30, 2009, and June 30, 2008. For the year ended June 30, 2010, South Cook Intermediate Service Center No. 4 paid \$9,429 to the THIS Fund. For the years ended June 30, 2009 and June 30, 2008, the Center paid \$9,074 and \$8,333 to the THIS Fund, respectively, which was 100 percent of the required contribution.

Further information on THIS Fund

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

8. ON-BEHALF CONTRIBUTIONS

The State of Illinois paid the following retirement and other postemployment benefits on-behalf of South Cook Intermediate Service Center No. 4:

TRS Pension Contribution	\$ 349,926
Teachers' Health Insurance Security	<u>12,572</u>
	<u>\$ 362,498</u>

These amounts have been recorded in the accompanying financial statements as State revenue and expenditures.

9. NEW ACCOUNTING PRONOUNCEMENTS

Effective for the year ending June 30, 2010, the Center adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Notes to Basic Financial Statements

June 30, 2010

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9. NEW ACCOUNTING PRONOUNCEMENTS (concluded)

Effective for the year ending June 30, 2010, the Center adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement provides guidance on determining the useful life of intangible assets when the length of their life is limited by contractual or legal provisions. If there are no factors that limit the useful life of an intangible asset, the Statement provides that the intangible asset be considered to have an indefinite useful life. Intangible assets with indefinite useful lives should not be amortized unless their useful life is subsequently determined to no longer be indefinite due to a change in circumstances. 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, 2010, the Center adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. 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, 2010, the Center adopted GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. There was no significant impact on the Center's financial statements as a result of adopting this statement.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 25, 2011, the date on which the financial statements were available to be issued.

Beginning July 1, 2010, South Cook Intermediate Service Center No. 4 will assume designated ROE functions for its current geographic service area. Effective July 1, 2011, South Cook Intermediate Service Center No. 4 will be responsible for all aspects of teacher certification for educators located within its district boundaries.

**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, 2010

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Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability -Entry Age (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12/31/09	\$1,015,859	\$1,277,461	\$261,602	79.52%	\$905,873	28.88%
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%

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On a market value basis, the actuarial value of assets as of December 31, 2009 is \$989,135. On a market basis, the funded ratio would be 77.43%.

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Post Employment Benefits Other than Pensions – Schedule of Funding Progress**  
**(Unaudited)**  
June 30, 2010

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Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability -Entry Age (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
06/30/10	\$0	\$59,133	\$59,133	0.00%	N/A	0.00%

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OTHER SUPPLEMENTARY INFORMATION

**SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4**  
**Budgetary Comparison Schedule**  
**Education Fund Accounts**  
Year Ended June 30, 2010

<u>REVENUES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Local Sources</b>			
Interest	\$ 250,000	\$ 206,486	\$ (43,514)
Services Provided Other LEA's	1,087,420	1,044,946	(42,474)
Total Local Sources	<u>1,337,420</u>	<u>1,251,432</u>	<u>(85,988)</u>
<b>State Sources</b>			
Regional Safe Schools - General State Aid	799,794	811,196	11,402
Regional Safe Schools Program	1,128,936	803,684	(325,252)
Other State Programs	-0-	(12,973)	(12,973)
I.S.C. Operations	213,760	119,372	(94,388)
Early Childhood Monitoring	46,500	4,109	(42,391)
Teachers & Administrators Mentoring Program	61,029	103,127	42,098
Gifted Education	303,965	221,068	(82,897)
National Board Certification for Teachers	-0-	55,427	55,427
Total State Sources	<u>2,553,984</u>	<u>2,105,010</u>	<u>(448,974)</u>
<b>Federal Sources</b>			
State Fiscal Stabilization Fund - Education			
State Grants, Recovery Act	135,199	135,199	-0-
State Fiscal Stabilization Fund - Government			
Services, Recovery Act	45,066	45,066	-0-
Title I - School Improvement and Accountability	2,283,848	2,643,812	359,964
Title II - Teacher Quality - Leadership Grant	227,434	522,181	294,747
Title I - Reading First Part B SEA Funds	699,747	363,898	(335,849)
Total Federal Sources	<u>3,391,294</u>	<u>3,710,156</u>	<u>318,862</u>
Total Direct Revenues	<u>7,282,698</u>	<u>7,066,598</u>	<u>(216,100)</u>
On-behalf Payments	-0-	362,498	362,498
Total Revenues	<u>7,282,698</u>	<u>7,429,096</u>	<u>146,398</u>

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Budgetary Comparison Schedule Education Fund Accounts (Continued) Year Ended June 30, 2010

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Instruction			
Salaries	939,731	965,503	(25,772)
Employee Benefits	118,426	129,128	(10,702)
Purchased Services	-0-	-0-	-0-
Supplies and Materials	-0-	6,162	(6,162)
Capital Outlay	-0-	-0-	-0-
Total Instruction	<u>1,058,157</u>	<u>1,100,793</u>	<u>(42,636)</u>
Support Services			
Instructional Staff			
Improvement of Instruction Services			
Salaries	1,319,115	1,340,406	(21,291)
Employee Benefits	305,011	276,606	28,405
Purchased Services	1,364,187	1,666,355	(302,168)
Supplies and Materials	504,466	390,013	114,453
Capital Outlay	10,100	26,976	(16,876)
Educational Media Services			
Supplies and Materials	<u>2,500</u>	<u>167</u>	<u>2,333</u>
Total Instructional Staff	<u>3,505,379</u>	<u>3,700,523</u>	<u>(195,144)</u>
General Administration			
Executive Administration Services			
Salaries	481,721	346,073	135,648
Employee Benefits	82,876	76,740	6,136
Purchased Services	112,500	138,724	(26,224)
Supplies and Materials	20,000	43,797	(23,797)
Capital Outlay	-0-	-0-	-0-
Other Objects	4,000	9,389	(5,389)
Office of Principal Services			
Salaries	354,565	330,956	23,609
Employee Benefits	91,867	87,261	4,606
Purchased Services	5,000	18,053	(13,053)
Supplies and Materials	17,189	2,161	15,028
Equipment	-0-	-0-	-0-
Total General Administration	<u>1,169,718</u>	<u>1,053,154</u>	<u>116,564</u>

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

**Budgetary Comparison Schedule  
Education Fund Accounts (Continued)  
Year Ended June 30, 2010**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>EXPENDITURES</u></b>			
Business			
Operation and Maintenance of			
Plant Services			
Salaries	238,206	189,440	48,766
Employee Benefits	25,621	17,659	7,962
Purchased Services	220,811	167,370	53,441
Supplies and Materials	79,486	68,566	10,920
Capital Outlay	15,000	3,986	11,014
Pupil Transportation			
Purchased Services	9,964	17,956	(7,992)
Food Services			
Purchased Services	-0-	-0-	-0-
Supplies and Materials	-0-	5,317	(5,317)
Data Processing Services			
Salaries	187,228	64,804	122,424
Employee Benefits	35,122	13,253	21,869
Purchased Services	-0-	-0-	-0-
Supplies and Materials	-0-	-0-	-0-
 Total Business	<u>811,438</u>	<u>548,351</u>	<u>263,087</u>

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

**Budgetary Comparison Schedule  
Education Fund Accounts (Continued)**

Year Ended June 30, 2010

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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	5,486,535	5,302,028	184,507
Nonprogrammed Charges			
Other Payments to In-State Government Units			
Purchased Services	975,696	939,957	35,739
Total Direct Expenditures	7,520,388	7,342,778	177,610
On-behalf Payments	-0-	362,498	(362,498)
Total Expenditures	7,520,388	7,705,276	(184,888)
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (237,690)</u>	(276,180)	<u>\$ (38,490)</u>
Fund Balance, July 1, 2009		6,656,284	
Fund Balance, June 30, 2010		<u>\$ 6,380,104</u>	

**FEDERAL COMPLIANCE SECTION**

# SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number	Expenditures	
			7/01/08 - 06/30/09	7/01/09 - 06/30/10
<b>Corporation for National and Community Services</b>				
Learn & Serve America Grants Passed-Through Illinois State Board of Education:				
<i>Learn &amp; Serve America</i>	94.004	09-4910-00	\$ 15,000	\$ -0-
			<u>15,000</u>	<u>-0-</u>
<b>U.S. Department of Education</b>				
Title I Grants to Local Educational Agencies Passed-Through Illinois State Board of Education:				
<i>Title I - School Improvement and Accountability</i>	M 84.010A	10-4331-SS	-0-	2,249,982
<i>Title I - School Improvement and Accountability</i>	M 84.010A	09-4331-SS	1,789,055	393,830
			<u>1,789,055</u>	<u>2,643,812</u>
State Fiscal Stabilization Fund - Cluster				
<i>ARRA-General State Aid-Education SFSF</i>	M 84.394	10-4850-93	-0-	135,199
<i>ARRA-General State Aid-Education SFSF</i>	M 84.394	09-4850-93	243,195	-0-
<i>ARRA-General State Aid-Government SFSF</i>	84.397	10-4870-93	-0-	45,066
			<u>243,195</u>	<u>180,265</u>
Total State Fiscal Stabilization Fund - Cluster				
Improving Teacher Quality State Grants Passed-Through Illinois State Board of Education:				
<i>Title II - Teacher Quality - Leadership Grant</i>	84.367A	10-4935-SS	-0-	226,580
<i>Title II - Teacher Quality - Leadership Grant</i>	84.367A	09-4935-SS	31,833	295,601
			<u>31,833</u>	<u>522,181</u>
Reading First State Grants Passed-Through Illinois State Board of Education:				
<i>Title I - Reading First Part B SEA Funds</i>	84.357A	10-4337-00	-0-	179,116
<i>Title I - Reading First Part B SEA Funds</i>	84.357A	09-4337-04	48,998	22,037
<i>Title I - Reading First Part B SEA Funds</i>	84.357A	09-4337-00	567,846	162,937
			<u>616,844</u>	<u>364,090</u>
<b>Total Federal Awards</b>			<u>\$ 2,695,927</u>	<u>\$ 3,710,348</u>

(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, 2010

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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 58 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, 2010

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NOTE 3 – DESCRIPTION OF MAJOR PROGRAMS (Concluded)

State Fiscal Stabilization Fund (SFSF) – Education State Grant Recovery Act:

The purpose of the program is to support and restore funding for elementary, secondary, and postsecondary education and, as applicable, early childhood education programs and services in States and local educational agencies (LEAs).

NOTE 4 – NONCASH ASSISTANCE

-NONE-

NOTE 5 – LOAN AND LOAN GUARANTEES OUTSTANDING

-NONE-

NOTE 6 – INSURANCE

-NONE-