STATE OF ILLINOIS
INTERMEDIATE SERVICE CENTER NO. 2

FINANCIAL AUDIT
(IN ACCORDANCE WITH THE UNIFORM GUIDANCE)

FOR THE YEAR ENDED JUNE 30, 2022

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

INTERMEDIATE SERVICE CENTER NO. 2

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SUPPLEMENTARY INFORMATION **SCHEDULE**

Intermediate Service Center No. 2
Officials
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Executive Director (Current and during the audit period)	Dr. Mark Klaisner
Assistant Executive Director (January 1, 2023 to current)	Dr. Jayme Tighe
Assistant Executive Director (July 1, 2019 to December 31, 2022)	Dr. Michael Popp
Senior Director of Executive Support Main Office (January 1, 2023 to current)	Dr. Michael Popp
Chief School Business Official (June 16, 2021 to current)	Ms. Christi Tyler
Financial Assistant (Current and during the audit period)	Ms. Maria Creevy

Office is located at:

415 Lexington
Maywood, IL 60153

INTERMEDIATE SERVICE CENTER NO. 2
COMPLIANCE REPORT SUMMARY
For the Year Ended June 30, 2022

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.

AUDITOR'S REPORT

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

SUMMARY OF AUDIT FINDINGS

Number of	This Audit	Prior Audit
Audit findings	7	6
Repeated audit findings	6	5
Prior recommendations implemented or not repeated	0	1

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

SUMMARY OF FINDINGS AND RESPONSES

Item No.	Page	Description	Finding Type
		FINDINGS (*GOVERNMENT AUDITING STANDARDS*)	
2022-001	13	Delay of Audit	Noncompliance
2022-002	15	Inadequate Internal Control Procedures	Material Weakness
2022-003	17	Inadequate Controls Over the Identification of Federal Awards	Material Weakness
2022-004	19	Controls Over Grant Compliance	Noncompliance
2022-005	20	Inadequate Controls Over Procurement-Card Transactions	Significant Deficiency
2022-006	21	Inadequate Controls Over Payroll Processing	Significant Deficiency
2022-007	23	Inadequate Controls Over Financial Reporting	Material Weakness
		FINDINGS and QUESTIONED COSTS (*FEDERAL COMPLIANCE*)	
		None	
		PRIOR FINDINGS NOT REPEATED (*GOVERNMENT AUDITING STANDARDS*)	
		None	
		PRIOR FINDINGS NOT REPEATED (*FEDERAL COMPLIANCE*)	
		None	

EXIT CONFERENCE

Intermediate Service Center No. 2 did not request an exit conference to discuss the audit for the year ended June 30, 2022. Responses to the findings were provided by Christi Tyler on April 20, 2026.

INTERMEDIATE SERVICE CENTER NO. 2

FINANCIAL STATEMENT REPORT SUMMARY

For the Year Ended June 30, 2022

The audit of the accompanying basic financial statements of the Intermediate Service Center No. 2 was performed by GW & Associates PC.

Based on their audit, the auditors expressed an unmodified opinion on the Intermediate Service Center No. 2's basic financial statements.

INDEPENDENT AUDITOR'S REPORT

Honorable Christopher B. Meister
Auditor General
State of Illinois

and

Board of Directors
Intermediate Service Center No. 2

Report on the Audit of the Financial Statements

Opinions

As Special Assistant Auditors for the Auditor General, we have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Intermediate Service Center No. 2, as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise the Intermediate Service Center No. 2's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Intermediate Service Center No. 2, as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Intermediate Service Center No. 2, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

We draw your attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Intermediate Service Center No. 2's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Intermediate Service Center No. 2's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Intermediate Service Center No. 2's basic financial statements. The cash basis combining schedules of accounts, budgetary comparison schedules and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the cash basis combining schedules of accounts, budgetary comparison schedules and Schedule of Expenditures of Federal Awards, as required by Uniform Guidance, are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the cash basis of accounting as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2026 on our consideration of the Intermediate Service Center No. 2'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 solely 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 effectiveness of the Intermediate Service Center No. 2's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Intermediate Service Center No. 2's internal control over financial reporting and compliance.

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Hillside, Illinois
July 13, 2026

INDEPENDENT AUDITOR'S 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 Christopher B. Meister
Auditor General
State of Illinois

and

Board of Directors
Intermediate Service Center No. 2

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Intermediate Service Center No. 2, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Intermediate Service Center No. 2's cash basis financial statements, and we have issued our report thereon dated July 13, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Intermediate Service Center No. 2's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Intermediate Service Center No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of the Intermediate Service Center No. 2's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-002, 2022-003 and 2022-007 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-005 and 2022-006 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Intermediate Service Center No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-004.

Intermediate Service Center No. 2's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Intermediate Service Center No. 2's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Intermediate Service Center No. 2's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Intermediate Service Center No. 2's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Intermediate Service Center No. 2's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[FIRM SIGNATURE ON FILE]

Hillside, Illinois
July 13, 2026

INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Honorable Christopher B. Meister
Auditor General
State of Illinois

and

Board of Directors
Intermediate Service Center No. 2

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

As Special Assistant Auditors for the Auditor General, we have audited compliance by the Intermediate Service Center No. 2 with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Intermediate Service Center No. 2's major federal programs for the year ended June 30, 2022. The Intermediate Service Center No. 2's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Intermediate Service Center No. 2 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Intermediate Service Center No. 2 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on compliance for each major federal program. Our audit does not provide a legal determination of the Intermediate Service Center No. 2's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Intermediate Service Center No. 2's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Intermediate Service Center No. 2's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Intermediate Service Center No. 2's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Intermediate Service Center No. 2's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the Intermediate Service Center No. 2's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Intermediate Service Center No. 2's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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Hillside, Illinois
July 13, 2026

INTERMEDIATE SERVICE CENTER No. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements in Accordance with Cash Basis

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
● Material weakness identified?	Yes
● Significant deficiency identified?	Yes
● Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major federal programs:	
● Material weakness identified?	No
● Significant deficiency identified?	No
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$ 811,407
Auditee qualified as low-risk auditee?	No

FINDING NO. 2022-001 –Delay of Audit (Repeated from findings 21-001, 20-001, 19-001, 18-001, 17-001, 16-004 and 15-004)

Criteria/Specific Requirements

Intermediate Service Center No. 2 is subject to 105 ILCS 5/2-3.17a which requires the Auditor General's office to cause an audit to be made, as of June 30th of each year, of the financial statements of all accounts, funds and other moneys in the care, custody or control of the executive director of each educational service region in the State and of each educational service center established in the School Code. The audit is to be conducted in accordance with Generally Accepted Government Auditing Standards. The Regional Office of Education or Education Service Center may utilize a cash basis, modified cash basis or Generally Accepted Accounting Principles (GAAP) basis of accounting to prepare the financial statements for audit. Intermediate Service Center No. 2 has chosen the cash basis of accounting for financial reporting.

In accordance with 105 ILCS 5/2-3.17a, the Auditor General has promulgated administrative rules and regulations to govern this process. Those rules, 74 Ill. Adm. Code 420.320 (c) (2), state that for audit purposes, each regional office of education and educational service center shall make available to the Auditor General or his designee all books and records deemed necessary to make and complete the required audits. The records shall be in auditable form by August 15 of the succeeding fiscal year. Financial reports are to be available no later than August 31 in order for the annual audit to be completed by an independent auditor selected by the Auditor General.

In addition, prudent business practices and transparency require timely preparation and completion of financial statements.

Condition

The Intermediate Service Center No. 2 did not provide completed financial statements in an auditable form by the August 31, 2022 deadline. The June 30, 2021 report was not released until July 9, 2025. The FY22 completed financial statements were initially provided to auditors on July 7, 2025. However, several revised versions were subsequently provided based on the auditor's review. The final corrected financial statements were not provided until November 18, 2025.

Effect

When auditable financial statements are not provided in a timely manner, delays in the audit occur and the usefulness of the financial statements and related findings resulting from the audit is impacted. Additionally, untimely financial statements could result in repercussions from granting agencies including loss of funding.

FINDING NO. 2022-001 –Delay of Audit (Repeated from findings 21-001, 20-001, 19-001, 18-001, 17-001, 16-004 and 15-004) (Continued)

Cause

Intermediate Service Center No. 2 management indicated they incurred key employee turnover which has put them behind in financial reporting.

Recommendation

The Intermediate Service Center No. 2 should implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). These financial statements need to be presented to the Auditor General's independent auditors for audit by the August 31 deadline.

Management Response

As this writing is occurring in FY26, we expect to see this as an ongoing finding for the audits yet to be completed for FY23-26. We have worked with our contracted accountant over the past ten years, who has experience with ROE/ISC audits and knows the requirements, to have reports available in a timely manner moving forward. We have also hired a Chief School Business Official (CSBO) who started work here in July 2021 to address this issue and other findings in this document. In addition, at a significant cost to West 40, we contracted the accounting firm who completes our financial statements to complete financial statements through FY25 in an expedited timeline. This was done so that there would be no delays on our end in having our audits be current.

FINDING NO. 2022-002 – Inadequate Internal Control Procedures (Partially repeated from findings 21-002, 20-002, 19-002, 18-002, 17-002, 16-001, 15-001, 14-001, 13-001 and 12-1)

Criteria/Specific Requirements

Intermediate Service Center No. 2 (ISC) is responsible for establishing and maintaining an internal control system over accounting transactions to prevent errors and fraud.

Condition

Auditors noted the following weaknesses in the Intermediate Service Center No. 2's internal control system for which there were no mitigating controls:

- All transactions are not initially posted directly to the correct funds in the general ledger. Subsequent adjusting entries must be recorded to reclassify them to the proper fund.
- There is a lack of segregation of duties within the cash receipts process. The same employee is primarily responsible for creating invoices for programs and academies, receiving and depositing cash receipts, and following up on outstanding balances. Additionally, there is no formal process for reviewing amounts owed to Intermediate Service Center No. 2.

Effect

The Intermediate Service Center No. 2's management or its employees, in the normal course of performing their assigned functions, may not prevent or detect and correct errors, omissions, and/or fraud in a timely manner.

Cause

The Intermediate Service Center No. 2 management indicated it has not established or documented sufficient internal control procedures.

Recommendation

We recommend the Intermediate Service Center No. 2 implement internal control procedures to ensure the following:

- Transactions should be posted directly to appropriate accounts upon initial recording to avoid subsequent reclassifications.
- Incompatible accounting functions need to be segregated and a formal process for reviewing amounts owed to Intermediate Service Center No. 2 implemented.

FINDING NO. 2022-002 – Inadequate Internal Control Procedures (Partially repeated from findings 21-002, 20-002, 19-002, 18-002, 17-002, 16-001, 15-001, 14-001, 13-001 and 12-1) (Continued)

Management Response

- Since the original finding regarding reclassifications, we have been training staff to provide accurate account coding to minimize the number of journal entries needed.
- A receivables module in our financial software has been implemented which allows departments to better monitor any outstanding invoices. Finally, an Accounts Receivable Clerk was hired in FY26 in an effort to centralize the invoicing process.

FINDING NO. 2022-003 – Inadequate Controls Over the Identification of Federal Awards (Repeated from findings 21-003)

Criteria/Specific Requirements

The Illinois State Board of Education (ISBE) *State and Federal Grant Administration Policy, Fiscal Requirements and Procedures* requires all State and federal grants awarded from ISBE to follow Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). 2 CFR 200.303 Internal Controls of the Uniform Guidance requires that recipients and subrecipients must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

As part of the audit process, we noted that the Intermediate Service Center No. 2 erroneously recorded $240,000 of federal grant revenue for the IL-AWARE grant as local revenue in the General Fund Local Sources account. Related expenditures of $157,752 were also recorded in the General Fund rather than in the Education Fund. The revenue and related expenditures should have been shown as a program in the Education Fund. In addition, ending fund balance of $281,940 should have been restricted.

Also, the administrative fee of $371,240 received by the Intermediate Service Center No. 2 as part of the Emergency Assistance to Non-Public Schools (EANS) grant was recorded in the General Fund Local Sources account as local revenue. Related administrative expenditures were also recorded in the General Fund rather than in the EANS fund and the administrative fee was omitted from the schedule of expenditures of federal awards.

Effect

By improperly classifying federal awards as local revenue, the Intermediate Service Center No. 2 runs the risk of

- failing to identify federal expenditures on their schedule of expenditures of federal awards;
- improperly reflecting a federal program on their financial statements; and
- failing to restrict fund balance for any unspent grant proceeds at year end.

Cause

Intermediate Service Center No. 2 management indicated that separate revenue and expenditure accounts were maintained in the general ledger for the IL-AWARE grant but it was not identified as a federal award.

FINDING NO. 2022-003 – Inadequate Controls Over the Identification of Federal Awards (Repeated from findings 21-003) (Continued)

In addition, Intermediate Service Center No. 2 management indicated that the administrative fee for the EANS grant was recorded in the General Fund because it was a fee paid to the Intermediate Service Center No. 2 and not a reimbursement for payments of grant funds to a third party.

Recommendation

Intermediate Service Center No. 2 should implement adequate internal controls to ensure that federal grants are properly identified and accounted for in their general ledger and on their financial statements.

Management Response

A Director of Grants was hired in FY23 and has built a team with experience and expertise in grant requirements and proper coding of grant revenue and expenses.

Regarding the second condition, the Intergovernmental Agreement ("IGA") presented to West 40 to manage the EANS funds is their standard grant IGA. However, in reality, we did not enter into a grantor-grantee relationship with ISBE. Rather, West 40 was contracted to manage EANS funds on behalf of ISBE. Therefore, we had a vendor-customer relationship with ISBE and the $371,240 referenced in this condition was in fact a fee, not grant revenue, that West 40 was paid to manage these funds on behalf of ISBE. These were federal funds and payments to vendors had to be made by a governmental entity - such as West 40. Non-public schools could not directly pay a vendor using federal funds so West 40 essentially served as a paying agent for EANS funds.

Auditors' Comment

The Intermediate Service Center No. 2 has indicated that the EANS funds received from ISBE were not a grant, but rather the result of a contractual relationship. The intergovernmental agreement provided to the auditors is between Illinois State Board of Education (Grantor or ISBE) and West Cook 40 Intermediate Service Center (Grantee or West 40 or ISC) and was signed on June 25, 2021. The IGA clearly identifies the Intermediate Service Center No. 2 as a "grantee" receiving federal funds. The grant agreement indicated the amount of federal funds provided, the assistance listing number, and a representation by the "grantee" that it will adhere to Uniform Guidance requirements. Subsequent amendments to the agreement continued to refer to the Intermediate Service Center No. 2 as the grantee, ISBE as the grantor, and the agreement as a grant agreement.

FINDING NO. 2022-004 –Controls over Grant Compliance (Repeated from findings 21-004, 20-004, 19-004 and 18-005)

Criteria/Specific Requirements

As a recipient of federal, State and local funds from various grantor agencies, Intermediate Service Center No. 2 must incorporate certain procedures into its operations in order to comply with the grant agreements with these entities.

Intermediate Service Center No. 2 is responsible for establishing and maintaining an internal control system over the completion of timely expenditure reports required for grants administered by the Illinois State Board of Education. The Illinois State Board of Education requires expenditure reports to be filed within 20 days of the applicable end of each quarter.

Condition

During the course of the audit, auditors noted 6 of the 54 (11%) expenditure reports required by the Illinois State Board of Education were not submitted timely. Three expenditure reports were submitted 2 days late and three were submitted 1 day late.

Effect

Lack of timely filed expenditure reports could result in a delay of grant funding. In addition, noncompliance with grant requirements could lead to the granting agency requesting reimbursement or the loss of grants for future periods.

Cause

Intermediate Service Center No. 2 management indicated that this occurred due to key employee turnover which has put them behind in financial reporting.

Recommendation

Intermediate Service Center No. 2 should implement adequate internal controls to ensure that expenditure reports are filed timely.

Management Response

A Director of Grants and Assistant Director of Grants were hired in FY23 to oversee and monitor all grant purchases.

FINDING NO. 2022-005 – Inadequate Controls Over Procurement-Card Transactions (Partially repeated from finding 21-005, 20-005 and 19-005)

Criteria/Specific Requirements

Intermediate Service Center No. 2 is required to maintain a system of controls over disbursements to prevent errors, omissions, and fraud.

Condition

Internal controls over disbursements are not effectively designed and implemented. During our testing of a sample of three months of procurement-card (P-card) transactions, supporting receipts were not provided for thirteen cardholders' transactions totaling $25,996 and six cardholders' transactions were missing approvals for the purchases.

Effect

The Intermediate Service Center No. 2's management or its employees, in the normal course of performing their assigned functions, may not prevent or detect and correct errors, omissions, and/or fraud in a timely manner.

Cause

The Intermediate Service Center No. 2 management indicated charge receipts were misplaced and could not be found.

Recommendation

Procedures should be implemented to ensure documentation of P-card activity is obtained and retained.

Management Response

Intermediate Service Center No. 2 will implement procedures to ensure documentation of P-card activity is obtained and retained.

FINDING NO. 2022-006 – Inadequate Controls Over Payroll Processing (Partially repeated from findings 21-006 and 20-006)

Criteria/Specific Requirements

The *Grant Accountability and Transparency Act (GATA) 30 ILCS 708/1* establishes that State grant programs are subject to the requirements set forth in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Uniform Guidance (2 CFR 200.430) requires charges for salaries and benefits to be supported by a system of internal controls which provide reasonable assurances that the charges are accurate and properly allocated. It also requires records be used to support the distribution of employee salaries and benefits among specific activities if the employee works on multiple programs.

In addition, best practices require Intermediate Service Center No. 2 to maintain a system of controls over payroll processing which includes documentation supporting approved pay rates, provides reasonable assurance that the salary and benefit charges are accurate and properly allocated, and requires records to be used to support the distribution of employee salaries and benefits among specific activities if the employee works on multiple programs.

Condition

During our testing of a sample of 40 payroll transactions, we noted that 5 (12.5%) employees had no documentation of an approved pay rate on file. As a result, we were unable to determine the accuracy of the payment to those employees.

Finally, preparation of time and effort reports with percentage of time spent on various programs was discontinued in fiscal 2021 for full-time employees. In addition, 2 (50%) of the 4 part-time employees tested did not have time sheets.

Effect

Without maintained time sheets or time and effort reports, the allocation of employee's time across funds and to Federal and State grant programs cannot be accurately determined, and, in the case of hourly employees, the accuracy of pay cannot be verified. In addition, without maintained documentation of approved pay rates, the accuracy of employees' pay cannot be verified.

FINDING NO. 2022-006 – Inadequate Controls Over Payroll Processing (Partially repeated from findings 21-006 and 20-006) (Continued)

Cause

The Intermediate Service Center No. 2 management indicated that the discontinuation of time and effort reports was due to the fact that the reports were not being reviewed and a new time keeping system was going to be purchased. Approved pay rates may not have been documented or copies were not made for the employee files.

Recommendation

We recommend the Intermediate Service Center No. 2 follow best practices, GATA requirements, and Uniform Guidance requirements to require time sheets or time and effort reports and ensure that accurate documentation supporting pay rates is maintained in personnel files.

Management Response

Salaries are entered by one employee and now reviewed for accuracy by another staff member. Staff whose salaries are funded by a grant are required to track their time in recently purchased time tracking software.

INTERMEDIATE SERVICE CENTER NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2022

FINDING NO. 2022-007 – Inadequate Controls Over Financial Reporting

Criteria/Specific Requirements

AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*, requires auditors to communicate in writing any significant deficiencies and material weaknesses in internal control over financial reporting. The requirement states that "identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected and corrected by the entity's internal control" and "restatement of previously issued financial statements to reflect the correction of a material misstatement due to fraud or error" are indicators of material weakness in internal control.

In addition, proper internal controls over financial reporting require financial statement numbers to be derived from and supported by general ledger accounts.

Condition

The following errors were noted in the financial statements during our audit:

- The Philip J. Rock Center and School, for which the Intermediate Service Center No. 2 became the fiscal agent beginning August 1, 2020, was not reported as a custodial fund in the first draft of the financial statements for fiscal 2022 or in the fiscal 2021 report.
- The revised fiscal 2022 draft report omitted a beginning cash balance in the custodial fund for the Philip J. Rock Center of $429,086 resulting in the reporting of a negative cash balance of $142,589 rather than the correct balance of $286,497 in the revised draft for that fund.
- Misallocation of expenditures between general fund accounts were identified as follows (positive numbers indicate overstatements and negative numbers indicate understatements):

Expenditure	Local Account	GSA/RSSP Tuition Account	ALOP Account
Salaries	$1,785,316	$-519,718	$-1,265,598
Benefits	549,560	-39,620	-509,940
Pension	157,635	-45,419	-112,216
Purchased Services	148,330	-84,319	-64,011
Supplies	98,209	-11,842	-86,367

- Beginning net position did not agree to ending net position as reported in the fiscal 2021 financial statements for governmental activities and beginning fund balances in the general

FINDING NO. 2022-007 – Inadequate Controls Over Financial Reporting (Continued)

fund and the education fund did not agree to ending fund balances in the respective funds in the fiscal 2021 financial statements.

- General ledger fund balance accounts differed from the amounts reported in the financial statements.
- General ledger expenditure amounts did not agree to the amounts reported in the financial statements for ESSER and ESSER-Digital Equity accounts.
- Indirect costs related to ESSER were not recorded in the ESSER account of the Education Fund in the financial statements.

Effect

Inadequate controls over financial reporting could result in erroneous amounts reported in financial statements.

Cause

The Intermediate Service Center No. 2 management indicated that:

- They were unaware of the need to include the Philip J. Rock Center and School as a custodial fund in their financial statements.
- They were unaware at the time of preparing the financial statements that the Philip J. Rock Center and School agreement began in fiscal 2021.
- The expenditure misallocations were the result of errors in the Account Grouping classification of general ledger accounts in the General Fund subaccounts for financial statement purposes.
- The differences in beginning net position and fund balance were the result of the financial statement preparer erroneously changing the recording of the Midwest PBIS Network from the prior year's presentation and not updating the reporting of IL-AWARE as part of the Education Fund as it was presented last year.
- The differences between general ledger account balances and financial statement amounts appears to be the result of directly updating financial statement amounts without recording the underlying general ledger entries.
- Financial Reimbursement Information System (FRIS) reports were used to report expenditures in the financial statements for the ESSER and ESSER-Digital Equity accounts.
- The Intermediate Service Center No. 2 only records direct costs of a grant within the grant accounts of the Education Fund and was not aware of the requirement to include indirect costs in those accounts.

FINDING NO. 2022-007 – Inadequate Controls Over Financial Reporting (Continued)

Recommendation

We recommend the Intermediate Service Center No. 2 enhance their review process over financial statement drafts prepared by outside accountants prior to presenting them for audit. In addition, we recommend that the Intermediate Service Center No. 2 ensure that all financial statement amounts are derived from general ledger accounts.

Management Response

- West 40 will include The Philip Rock Center as a custodial fund in future financial statements.
- West 40 will include fund balances in future financial statements.
- This has been corrected in our financial statements.
- This is related to a change in how a custodial fund was recorded and has been corrected in our financial statements.
- This was primarily due to an effort to move dormant funds. This was not completed using a transfer in/transfer out account. Going forward an effort to consolidate/eliminate dormant funds will be completed using transfer in / transfer out accounts.
- A grants team was formed in FY23 to oversee and monitor all grant expenditures and reporting.
- A grants team was formed in FY23 to oversee and monitor all grant expenditures and reporting.

INTERMEDIATE SERVICE CENTER No. 2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION III - FEDERAL AWARD FINDINGS

For Year Ended June 30, 2022

None Reported

INTERMEDIATE SERVICE CENTER NO. 2
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2022

FINDING NO. 2022-001 –Delay of Audit (Repeated from findings 21-001, 20-001, 19-001, 18-001, 17-001, 16-004 and 15-004)

Condition

The Intermediate Service Center No. 2 did not provide completed financial statements in an auditable form by the August 31, 2022 deadline. The June 30, 2021 report was not released until July 9, 2025. The FY22 completed financial statements were initially provided to auditors on July 7, 2025. However, several revised versions were subsequently provided based on the auditor's review. The final corrected financial statements were not provided until November 18, 2025.

Corrective Action Plan

As this writing is occurring in FY26, we expect to see this as an ongoing finding for the audits yet to be completed for FY21-25. We have worked with our contracted accountant over the past eight years, who has experience with ROE/ISC audits and knows the requirements, to have reports available in a timely manner moving forward. We have also hired a Chief School Business Official (CSBO) who started work here in July 2021 to address this issue and other findings in this document.

Anticipated Date of Completion

August 31, 2027

Name of Contact Person

Christi Tyler

INTERMEDIATE SERVICE CENTER NO. 2
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2022

FINDING NO. 2022-002 – Inadequate Internal Control Procedures (Partially repeated from findings 21-002, 20-002, 19-002, 18-002, 17-002, 16-001, 15-001, 14-001, 13-001 and 12-1)

Condition

Auditors noted the following weaknesses in the Intermediate Service Center No. 2's internal control system for which there were no mitigating controls:

- All transactions are not initially posted directly to the correct funds in the general ledger. Subsequent adjusting entries must be recorded to reclassify them to the proper fund.
- There is a lack of segregation of duties within the cash receipts process. The same employee is primarily responsible for creating invoices for programs and academies, receiving and depositing cash receipts, and following up on outstanding balances. Additionally, there is no formal process for reviewing amounts owed to Intermediate Service Center No. 2.

Corrective Action Plan

- Since the original finding regarding reclassifications, we have been training staff to provide accurate account coding to minimize the number of journal entries needed.
- A receivables module in our financial software system has been implemented which allows departments to better monitor any outstanding invoices.

Anticipated Date of Completion

June 30, 2024

Name of Contact Person

Christi Tyler

FINDING NO. 2022-003 - Inadequate Controls Over the Identification of Federal Awards (Repeated from findings 21-003).

Condition

As part of the audit process, we noted that the Intermediate Service Center No. 2 erroneously recorded $240,000 of federal grant revenue for the IL-AWARE grant as local revenue in the General Fund Local Sources account. Related expenditures of $157,752 were also recorded in the General fund rather than in the Education Fund. The revenue and related expenditures should have been shown as a program in the Education Fund. In addition, ending fund balance of $281,940 should have been restricted.

Also, the administrative fee of $371,240 received by the Intermediate Service Center No. 2 as part of the Emergency Assistance to Non-Public Schools (EANS) grant was recorded in the General Fund Local Sources account as local revenue. Related administrative expenditures were also recorded in the General Fund rather than the EANS fund and the administrative fee was omitted from the schedule of expenditures of federal awards.

Corrective Action Plan

A Director of Grants was hired in FY23 and has built a team with experience and expertise in grant requirements and proper coding of grant revenue and expenses.

Anticipated Date of Completion

July 31, 2023

Name of Contact Person

Christi Tyler

INTERMEDIATE SERVICE CENTER NO. 2
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2022

FINDING NO. 2022-004 –Controls over Grant Compliance (Repeated from findings 21-004, 20-004, 19-004 and 18-005)

Condition

During the course of the audit, auditors noted 6 of the 54 (11%) expenditure reports required by the Illinois State Board of Education were not submitted timely. Three expenditure reports were submitted 2 days late, one was submitted 1 day late.

Corrective Action Plan

A Director of Grants was hired in FY23 to oversee and monitor all grant expenditures and reporting requirements.

Anticipated Date of Completion

July 31, 2023

Name of Contact Person

Christi Tyler

INTERMEDIATE SERVICE CENTER NO. 2
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2022

FINDING NO. 2022-005 – Inadequate Controls Over Procurement-Card Transactions (Partially repeated from finding 21-005, 20-005, 19-005)

Condition

Internal controls over disbursements are not effectively designed and implemented. During our testing of a sample of three months of procurement-card (P-card) transactions, supporting receipts were not provided for thirteen cardholders' transactions totaling $25,966 and five cardholders; transactions were missing approvals for the purchases.

Corrective Action Plan

Intermediate Service Center No. 2 will adhere to its policy prohibiting the use of P-cards for personal use. In addition, procedures will be implemented to ensure documentation of P-card activity is obtained and retained.

Anticipated Date of Completion

July 31, 2023

Name of Contact Person

Christi Tyler

INTERMEDIATE SERVICE CENTER NO. 2
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2022

FINDING NO. 2022-006 – Inadequate Controls Over Payroll Processing (Repeated from findings 21-006 and 20-006)

Condition

During our testing of a sample of 40 payroll transactions, we noted that 5 (12.5%) employees had no documentation of an approved pay rate on file. As a result, we were unable to determine the accuracy of the payment to those employees.

Finally, preparation of time and effort reports with percentage of time spent on various programs was discontinued in fiscal 2021 for full-time employees. In addition, 2 (50%) of the 4 part-time employees tested did not have time sheets.

Corrective Action Plan

Salaries are entered by one employee and now reviewed for accuracy by another staff member. Staff whose salaries are funded by a grant are required to track their time in recently purchased time tracking software.

Anticipated Date of Completion

July 1, 2024

Name of Contact Person

Christi Tyler

INTERMEDIATE SERVICE CENTER NO. 2
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2022

FINDING NO. 2022-007 – Inadequate Controls Over Financial Reporting

Condition

The following errors were noted in the financial statements during our audit:

- The Philip J. Rock Center and School, for which the Intermediate Service Center No. 2 became the fiscal agent beginning August 1, 2020, was not reported as a custodial fund in the first draft of the financial statements for fiscal 2022 or in the fiscal 2021 report.
- The revised fiscal 2022 draft report omitted a beginning cash balance in the custodial fund for the Philip J. Rock Center of $429,086 resulting in the reporting of a negative cash balance of $142,589 rather than the correct balance of $286,497 in the revised draft for that fund.
- Misallocation of expenditures between general fund accounts were identified as follows (positive numbers indicate overstatements and negative numbers indicate understatements):

Expenditure	Local Account	GSA/RSSP Tuition Account	ALOP Account
Salaries	$1,785,316	$-519,718	$-1,265,598
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Purchased Services	148,330	-84,319	-64,011
Supplies	98,209	-11,842	-86,367

- Beginning net position did not agree to ending net position as reported in the fiscal 2021 financial statements for governmental activities and beginning fund balances in the general fund and the education fund did not agree to ending fund balances in the respective funds in the fiscal 2021 financial statements.
- General ledger fund balance accounts differed from the amounts reported in the financial statements.
- General ledger expenditure amounts did not agree to the amounts reported in the financial statements for ESSER and ESSER-Digital Equity accounts.
- Indirect costs related to ESSER were not recorded in the ESSER account of the Education Fund in the financial statements.

INTERMEDIATE SERVICE CENTER NO. 2
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2022

FINDING NO. 2022-007 – Inadequate Controls Over Financial Reporting (Continued)

Corrective Action Plan

- West 40 will include The Philip Rock Center as a custodial fund in future financial statements.
- West 40 will include fund balances in future financial statements.
- This has been corrected in our financial statements.
- This is related to a change in how a custodial fund was recorded and has been corrected in our financial statements.
- This was primarily due to an effort to remove dormant funds. This was not completed using a transfer in/transfer out account. Going forward an effort to consolidate/eliminate dormant funds will be completed using transfer in / transfer out accounts.
- A grants team was formed in FY23 to oversee and monitor all grant expenditures and reporting.
- A grants team was formed in FY23 to oversee and monitor all grant expenditures and reporting.

Anticipated Date of Completion

July 1, 2024

Name of Contact Person

Christi Tyler

INTERMEDIATE SERVICE CENTER NO. 2
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS NOT REPEATED
For the Year Ended June 30, 2022

None

BASIC FINANCIAL STATEMENTS

		Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Position
				Primary Government
FUNCTIONS/PROGRAMS	**Disbursements**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**
PRIMARY GOVERNMENT				
Governmental activities:				
Instructional services:				
Salaries	$ 9,139,510	$ 1,506,716	$ 5,784,775	$ (1,848,019)
Benefits	1,619,237	158,197	1,385,612	(75,428)
Pension expense	759,312	140,681	429,174	(189,457)
OPEB expense	23,148	7,898	1,110	(14,140)
Purchased services	12,764,805	406,982	13,709,916	1,352,093
Supplies and materials	6,737,648	126,429	7,529,709	918,490
Other objects	175,844	-	207,461	31,617
Capital expenditures	8,046,846	140,983	9,026,022	1,120,159
Intergovernmental:				
Payments to other governments	26,869	9,556	-	(17,313)
Administrative:				
On-behalf payments - State	1,011,639	-	1,011,639	-
TOTAL PRIMARY GOVERNMENT	$ 40,304,858	$ 2,497,442	$ 39,085,418	1,278,002

CASH BASIS NET POSITION, BEGINNING OF YEAR	3,494,182
CASH BASIS NET POSITION, END OF YEAR	$ 4,772,184
CASH BASIS NET POSITION	
Restricted	$ 880,141
Unrestricted	3,892,043
TOTAL CASH BASIS NET POSITION	$ 4,772,184

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

Intermediate Service Center No. 2
Governmental Funds
Statement of Cash Receipts, Disbursements, and
Changes in Cash and Cash Equivalents
As of and for the Year Ended June 30, 2022
Exhibit B

	General Fund	Education Fund	Non major fund - Institute	Governmental Funds
RECEIPTS				
Federal sources	$ -	$ 25,586,189	$ -	$ 25,586,189
State sources	11,745,978	741,614	-	12,487,592
Local sources	2,229,269	70,534	197,637	2,497,440
On-behalf payments - State	1,011,639	-	-	1,011,639
Total receipts	14,986,886	26,398,337	197,637	41,582,860
DISBURSEMENTS				
Instructional services:				
Salaries	7,287,523	1,807,734	44,253	9,139,510
Benefits	1,229,873	381,520	7,844	1,619,237
Pension expense	668,838	85,822	4,652	759,312
OPEB Expense	22,031	1,117	-	23,148
Purchased services	1,289,754	11,475,051	-	12,764,805
Supplies and materials	461,196	6,274,689	1,763	6,737,648
Other objects	-	175,844	-	175,844
Intergovernmental:				
Payments to other governments	26,869	-	-	26,869
Administrative:				
On-behalf payments - State	1,011,639	-	-	1,011,639
Capital expenditures	396,395	7,650,451	-	8,046,846
Total disbursements	12,394,118	27,852,228	58,512	40,304,858
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	2,592,768	(1,453,891)	139,125	1,278,002
OTHER FINANCING SOURCE (USE)				
Transfers in (out)	(34,249)	34,249	-	-
CHANGE IN CASH AND CASH EQUIVALENTS	2,558,519	(1,419,642)	139,125	1,278,002
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,986,846	75,828	431,508	3,494,182
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,545,365	$ (1,343,814)	$ 570,633	$ 4,772,184
CASH BASIS FUND BALANCES				
Restricted	$ -	$ 309,508	$ 570,633	$ 880,141
Assigned	5,545,365	-	-	5,545,365
Unassigned	-	(1,653,322)	-	(1,653,322)
TOTAL CASH BASIS FUND BALANCES	$ 5,545,365	$ (1,343,814)	$ 570,633	$ 4,772,184

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

Intermediate Service Center No. 2
Fiduciary Fund
Statement of Cash Additions, Deductions, and Changes in Cash and Cash Equivalents
As of and for the Year Ended June 30, 2022
Exhibit C

	Custodial Fund		
	Philip J. Rock Center and School	**Midwest PBIS Network**	**Total**
ADDITIONS			
Collection of revenues	$ 3,258,701	$ 1,129,998	$ 4,388,699
DEDUCTIONS			
Administration	3,401,290	1,367,556	4,768,846
TOTAL DEDUCTIONS	3,401,290	1,367,556	4,768,846
CHANGE IN CASH AND CASH EQUIVALENTS	(142,589)	(237,558)	(380,147)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	429,086	981,388	1,410,474
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 286,497	$ 743,830	$ 1,030,327
CASH BASIS FIDUCIARY NET POSITION			
Restricted for other governments	$ 286,497	$ 743,830	$ 1,030,327
Unrestricted	-	-	-
TOTAL CASH BASIS FIDUCIARY NET POSITION	$ 286,497	$ 743,830	$ 1,030,327

The accompanying notes are an integral part of the financial statements.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Beginning on the first Monday of August 1995, each of the 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 shall be administered through three (3) Intermediate Service Centers (North Cook, West Cook and South Cook).

West Cook now known as Intermediate Service Center No. 2 (the Center) includes the area within the territorial boundaries of the following high school districts:

- Oak Park and River Forest High School District 200
- J.S. Morton High School District 201
- Lyons Township High School District 204
- Riverside Brookfield Township High School District 208
- Proviso Township High School District 209
- Leyden Community High School District 212
- Ridgewood Community High School District 234
- Elmwood Park Community Unit District 401

The Center is governed by an eleven-member board. The administrative agent designated for this center during the audit period was the Lyons Township School Treasurer.

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

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

The Center may also provide training, technical assistance, coordination, and planning in other program areas. The Illinois State Board of Education (ISBE) shall promulgate rules and regulations necessary to operate the Center.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Principles Used to Determine the Scope of the Reporting Entity

The Center provides educational services to 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.

The Center developed criteria to determine whether outside agencies with activities which benefit the citizens of the region, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the Center exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the Center does not control the assets, operations, or management of the districts or joint agreements. In addition, the Center is not aware of any entity, which would exercise such oversight as to result in the Center being considered a component unit of the entity.

As discussed further in the "Measurement Focus and Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the ISC's accounting policies.

B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statement (i.e., Cash Basis Statement of Activities and Net Position) report information on all of the nonfiduciary activities of the Center.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function or segment is offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants, contributions and interest restricted to meeting the operational requirements or capital requirements of a particular function. Other items not properly included among program receipts are reported instead as general receipts.

All interfund transactions between governmental funds are eliminated on the government-wide financial statements.

The Cash Basis Statement of Activities and Net Position presents the Center's nonfiduciary net position. Net position is reported in the following categories/components:

Restricted net position - results when constraints placed on the use of resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - consists of cash and cash equivalent balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Fund Financial Statements

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

The Center reports the following major governmental funds:

<u>General Fund</u> - The General Fund is the operating fund of the Center. It is used to account for all financial resources within the territorial boundaries of the Center except those required to be accounted and reported for in another fund. The General Fund includes the following accounts:

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Local Sources - These are receipts and disbursements associated with workshops conducted by the Center, tuition monies for teachers, and fiscal agent fees as well as disbursements associated with the general operations of the Center.

General State Aid/Regional Safe Schools Program (RSSP) Tuition - 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 RSSP.

Alternative Learning Opportunities Program (ALOP) - Offers a broader range of academic, behavioral, and social/emotional interventions designed to increase the academic achievement levels of these students so that they are able meet the Illinois Learning Standards and complete their education in a safe learning environment. Districts give up a portion of their General State Aid claim for the students while placed in ALOPs.

Fingerprinting - Accounts for the fees received from the school districts which are used to pay for the fingerprinting services provided to school district employees.

Non-Public School Compliance Services - The Center has been contracted by ISBE to conduct compliance visits at non-public schools in Illinois to examine records, to observe teaching, and to view the physical plant with the intent, in general, to provide assurance to each school, its constituency, and the general public that the school supplies an education and an educational environment in general equivalency to a comparable public school within the state.

Special Revenue Funds - These funds are used to account for and report the proceeds of specific receipts that are restricted or committed to disbursements for specified purposes other than debt service or capital projects. Special revenue funds include the following:

Education Fund - This fund is used to account for and report the proceeds of specific receipt sources that are restricted by grant requirements or contracts to disbursements for specified purposes supporting education enhancement programs. Grants that are accounted for and included in the Education Fund in the financial statements are as follows:

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

West Cook Math Initiative - A partnership among West Cook County districts to improve the teaching and learning of mathematics in grades six through nine.

Multi-Tier System of Support - Provides regionally based professional development, technical assistance, and coaching to educators and parents throughout the State.

Technology for Success - Accounts for monies received for and in payment of expenditures incurred to create and support ongoing learning team focused on alignment of classroom-level assessment and instruction.

State Free Lunch and Breakfast - A voluntary program available to all public schools, private schools, and residential child care institutions which agree to operate a non-profit program offering lunches and breakfasts meeting federal requirements to all children in attendance.

School Breakfast Program - Provides cash assistance to States to operate nonprofit breakfast programs in schools and residential childcare institutions.

National School Lunch Program - A voluntary program available to all public schools, private schools, and residential child care institutions which agree to operate a non-profit program offering lunches meeting federal requirements to all children in attendance.

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

Regional Safe School Program (RSSP) - 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.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Truants Alternative and Optional Education - This program serves eligible students with attendance problems and/or dropouts up to and including those who are 21 years of age, and provides truancy prevention and intervention services to students and/or serves as part-time or full-time options to regular school attendance.

Title II - Teacher Quality - Leadership Grant - This program provides professional development for teachers in schools that are in status. This program provides funding to help offset the cost of training teachers.

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.

Pilot Regional Safe School Cooperative Education - This program accounts for grant monies received for, and payment of expenditures related to providing suspended or expelled youth at the Regional Safe School with alternative cooperative education including classroom work and experience in the private sector.

Every Student Succeeds Act (ESSA) Non-Public Ombudsman - This program provides equitable services to private school children, teachers, and other educational personnel.

AdvancED - This program is used to account for a program through AdvancED (now Cognia), which provides accreditation that is designated specifically for education service agencies.

Elementary and Secondary School Emergency Relief (ESSER) - To account for emergency relief funds to address the impact that novel coronavirus disease 2019 (COVID-19) has had, and continues to have, on elementary and secondary schools.

ESSER - Digital Equity - This program is used for closing the digital divide and enabling digital-age teaching and learning and to provide students with technology tools and home internet access necessary for technology-rich remote learning experiences.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IL - AWARE - This program is used to account for grant monies received for, and payment of expenditures to help schools better identify and respond to mental health issues among youth.

Emergency Assistance to Non-Public Schools (EANS) - This fund is used to account for resources provided under the Emergency Assistance to Non-Public Schools (EANS) program. The program supports eligible non-public schools in Illinois by funding allowable services and materials, which are administered by the Center on behalf of ISBE. The Center does not pass funds directly to nonpublic schools but instead reimburse the schools for expenditures approved by ISBE.

Institute Fund - Accounts for fees collected for the registration and renewal of teaching licenses. These fees are used to defray administrative expenses incidental to teachers' institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers or to defray the expense of any general or special meeting of teachers or school personnel. All funds generated remain restricted until expended only on the aforementioned activities.

Fiduciary Fund (Custodial Fund) - Used to account for assets held by the Center in a trustee capacity or as an agent for others and cannot be used to support the Center's own programs. The Center reports the Custodial Fund as its only Fiduciary Fund and maintains the following:

Philip J. Rock Center and School - This is used to account for the receipt of funds from ISBE and related payments for the operation of the Philip J. Rock Center and School. The Center serves as fiscal agent under a contractual agreement with ISBE and administers the funds on behalf of the State. All funds are used in accordance with a state-approved budget and must be returned if unexpended. The Center acts solely as an independent contractor and has no ownership interest in the assets or programs of the School.

Midwest PBIS - This is used to account for collection of revenues for Midwest Positive Behavioral Interventions and Supports Network (PBIS) and payments for administrative expenses.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The Center maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Center are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. In addition, other economic assets, deferred outflow of resources, liabilities, and deferred inflow of resources that do not arise from cash transaction or event are not reported. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with GAAP.

The Center records on-behalf payments made by the State to the Teachers' Retirement System and Teachers' Health Insurance Security Fund as receipts and disbursements.

Under the terms of grant agreements, the Center funds certain programs by a combination of specific cost-reimbursement grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the Center's policy to first apply cost-reimbursement grant resources to such programs and then general receipts.

When a reimbursement in governmental funds can be paid using either restricted or unrestricted resources, the Center's policy is generally to first apply the disbursement toward restricted fund balance and then to unrestricted classifications - committed, assigned, and then unassigned fund balances.

D. Governmental Cash Basis Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the Center is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classification are as follows:

Nonspendable fund balance - this consists of amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. There are no accounts presenting a nonspendable fund balance.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted fund balance - this consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. The Institute Fund is restricted by Illinois statute. The following accounts' fund balances are restricted by grant agreements or contracts: West Cook Math Initiative, State Free Lunch and Breakfast, School Breakfast Program, National School Lunch Program, ESSER - Digital Equity, and IL-AWARE.

Committed fund balance - this consists of amounts with self-imposed constraints or limitations that have been place at the highest level of decision making. There are no accounts presenting a committed fund balance.

Assigned fund balance - this consists of net amounts that are constrained by the Center's intent to be used for specific purposes, but that are neither restricted nor committed. The accounts presented with assigned fund balances are specified for a particular purpose by the Executive Director. The Center's assigned fund balance include ALOP.

Unassigned fund balance - available expendable financial resources in a governmental fund that are not designated for a specific purpose. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes. The Center's unassigned fund balances include the following funds: Local Sources, General State Aid/RSSP Tuition, Fingerprinting, Multi-tier System of Support, I.S.C Operations, RSSP, Truants Alternative and Optional Education, Title II - Teacher Quality - Leadership Grant, Pilot Regional Safe School Cooperative Education, ESSER, and EANS.

E. Employer Contributions to Pension and OPEB Plans

The Center recognizes the disbursement for employer contributions to pension and other postemployment benefits (OPEB) plans when they are paid. As described in Notes 4 and 5, the employer contributions include portions for pension benefits and for OPEB.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgets and Budgetary Accounting

Overall budgeting is not a legal requirement for the Center. Formal budgets are not adopted for all funds; therefore, budgetary comparison schedules are not included in the financial statements.

The Center is the recipient of grants from ISBE for which comparison of budget and actual results are required. The comparison of budgeted and actual results for the following programs is reported as supplementary information:

Special Revenue Funds:

- Education Fund:
  - I.S.C. Operations
  - RSSP
  - Truants Alternative and Optional Education
  - Pilot Regional Safe School Cooperative Education
  - ESSER
  - ESSER - Digital Equity

G. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near to maturity that they present insignificant risk of changes in value because of changes in interest rates.

The Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Illinois Funds are considered cash equivalents.

H. Cash and Investments in the Custody of the Township School Treasurer

The Lyons Township School Treasurer (Treasurer), a separate legal governmental agency, serves as the Treasurer as prescribed by the Illinois School Code (105 ILCS 5/8). In addition to the Center, the Treasurer serves other districts. Cash from all districts is combined by the Treasurer and excess cash is invested as authorized by law. Because there is no specific identification of investments by individual districts, interest earned on investments is

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

allocated monthly to the various districts based upon their average monthly cash and investment balances. The Treasurer is authorized by State statutes and local ordinances, to invest on behalf of the district in obligations of U.S. Treasury agencies backed by the full faith and credit of the U.S. Government, certificates of deposit issued by commercial banks and savings and loan associations, and commercial paper rated within the three highest classifications by at least two standard rating services.

Because all cash and investments are pooled by a separate legal governmental agency (Treasurer) categorization by risk category is not determinable. Further information regarding collateralization of investments and insurance is available from the Treasurer's financial statements. During the year, interest of $77,494 was credited to the Center.

	Carrying Amount	Bank Balance
Equity in pooled cash and investments of Lyons Township School Treasurer	$ 5,772,587	$ 5,772,587

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active market for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Treasurer has the ability to access.

Level 2 Inputs to valuation methodology include the following:

* Quoted prices for similar assets or liabilities in active markets;
* Quoted prices for identical or similar assets or liabilities in inactive markets;
* Inputs other than quoted market prices that are observable for the asset or liability;

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

* Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contracted) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use unobservable inputs.

The following is a description of the valuation methodologies used for the Treasurer's investments measured at fair value. There have been no changes in the methodologies used at June 30, 2022.

Municipal Bonds: Valued at the closing price of identical instruments with comparable durations reported on the inactive market on which the individual securities are traded.

U.S. Treasury Securities and Debt Securities: Valued at the closing price of instruments reported on the inactive market on which the individual securities are traded.

Corporate Bonds: Valued at the closing price of identical instruments with comparable durations reported on the active market on which the individual securities are traded.

Negotiable Certificates of Deposits: Valued at the closing price of identical instruments with comparable durations reported on the inactive market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Treasurer believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Rate Risk. The Treasurer's investment policy seeks to ensure preservation of capital in the Treasurer's overall portfolio. The highest return on investments is sought, consistent with the preservation of principal and prudent investment principles. The investment portfolio is required to provide sufficient liquidity to pay Treasurer obligations as they come due, considering maturity and marketability. The investment portfolio is also required to be diversified as to maturities and investments, as appropriate to nature, purpose and amount of funds. The Treasurer will also consider investments in local financial institutions, recognizing their contribution to the community's economic development.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper, corporate bonds and mutual funds to the top two ratings issued by nationally recognized rating organizations. The Treasurer's investment policy further minimizes credit risk by limiting the investments to the safest types of securities and/or financial institutions; pre-qualifying the financial institutions, brokers, dealers, intermediaries, and advisors with which the Treasurer will do business; and diversifying the investment portfolio so that potential losses on individual securities will be minimized.

The Illinois School District Liquid Assets Fund Plus is a not-for-profit pooled investment trust pursuant to the Illinois Municipal Code and managed by a Board of Trustees, elected from participating members. The trust is not registered with the Securities and Exchange Commission (SEC) as an investment company. Investments are rated AAAm and are valued at share price, which is the price for which the investment could be sold.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company. Investments in Illinois Funds are rated AAAm and are valued at Illinois Funds' share price, which is the price for which the investment could be sold.

At June 30, 2022, the Treasurer's investments subject to credit risk were rated as follows:

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments	Moody's Investor Service	Standard & Poor
Freddie Mac - U.S. Agency explicitly guaranteed	Aaa	Not available
Federal Home Loan Mortgage Corporation (FHLMC) - U.S. Agency explicitly guaranteed	Aaa	Not available
Federal National Mortgage Association (FNMA) - U.S. Agency explicitly guaranteed	Aaa	Not available
Federal Farm Credit Banks (FFCB) - U.S. Agency implicitly guaranteed	Aaa	Not available
Government National Mortgage Association (GNMA) - U.S. Agency explicitly guaranteed	Not available	Not available
Municipal Bonds*	Aaa - A1	AAA - A
US Treasury Bonds	Aaa	Not available
Corporate Bonds	A2 – A3	A-2

** Credit risk ratings were not available for certain municipal bonds.*

Concentration of Credit Risk. The Treasurer's investment policy requires diversification of the investment portfolio to minimize the risk of loss resulting from overconcentration in a particular type of security, risk factor, issuer, or maturity. The policy requires diversification strategies to be determined and revised periodically by the Treasurer's Investment Officer to meet the Treasurer's ongoing need for safety, liquidity, and rate of return.

Custodial Credit Risk. With respect to deposits, custodial credit risk is the risk that, in the event of a bank failure, the government's deposit may not be returned to it. The Treasurer's investment policy limits the exposure to deposit custodial credit risk by requiring all deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurable limits to be secured by collateral in the event of default or failure of the financial institution holding the fund. At June 30, 2022, the bank balance of the Treasurer's deposits with financial institutions was fully insured or collateralized.

With respect to investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Treasurer's investments are held by their agent and in the Treasurer's name. At June 30, 2022, there were no investments exposed to custodial credit risk.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. New Accounting Pronouncements

During fiscal year 2022, the Center implemented GASB Statement No. 87, *Leases*, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, GASB Statement No. 92, *Omnibus 2020*, GASB Statement No. 93, *Replacement of Interbank Offered Rates*, GASB Statement No. 97, *Certain Component Unit Criteria*, and GASB Statement No. 98, *The Annual Comprehensive Financial Report*. GASB Statement No. 87 improved accounting and financial reporting for leases by governments. The implementation of GASB Statement Nos. 89, 92, 93, 97, and 98 does not have a significant impact to the Center's cash basis financial statements.

NOTE 2 CASH AND CASH EQUIVALENTS

Deposits

At June 30, 2022, the carrying amounts of the Center's government-wide fund deposits were $29,924 and the bank balances were $29,924. Of the total bank balances as of June 30, 2022, $2,403 was secured by FDIC and $27,521 was invested in the Illinois Funds Money Market Fund.

Custodial Credit Risk. Custodial credit risk for deposits with financial institutions is the risk that, in the event of bank failure, the Center's deposits may not be returned to it. As of June 30, 2022, the Center did not have a deposit account with a financial institution that exceeded FDIC coverage.

Investments

The Center's investment policy requires that funds should be invested solely in investments authorized by 30 ILCS 235/2 and 6 and 105 ILCS 5/8-7. At June 30, 2022, the Center had investments totaling $27,521 in the Illinois Funds Money Market Fund.

Credit Risk - At June 30, 2022, the Illinois Funds Money Market Fund had a Standard and Poor's AAAm rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investments Act (30 ILCS 235). All investments are fully collateralized.

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

Concentration of Credit Risk - Unless specifically authorized by the Treasurer, the Illinois Funds Money Market Fund's investment policy limits investment categories to not exceed 25% of the portfolio with the exception of cash equivalents and U.S. Treasury securities. Further, certificates of deposit cannot exceed 10% of any single financial institution's total deposits.

Interest Rate Risk - The Illinois Funds Money Market Fund, created by the Illinois General Assembly, enables custodians of public funds investment options with a competitive rate of return on fully collateralized investments and immediate access to funds. The investment policy of the Illinois Funds Money Market Fund states that unless authorized specifically by the Treasurer, a minimum of 75% of its investments shall have less than one-year maturity and no investment shall exceed two years maturity.

NOTE 3 RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance through the Collective Liability Insurance Cooperative. Settlements have not exceeded insurance coverage for the last three fiscal years.

NOTE 4 RETIREMENT FUND COMMITMENTS

Teachers' Retirement System of the State of Illinois

Plan Description

The Center 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. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. 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 TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at https://www.trsil.org/financial/acfrs/fy2021; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling 888-678-3675, option 2.

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

Benefits Provided

TRS provides retirement, disability, and death benefits. Tier 1 members have TRS or reciprocal system service prior to January 1, 2011. Tier 1 members qualify for retirement benefits at age 62 with five years of service, at age 60 with 10 years, or age 55 with 20 years. The benefit is determined by the average of the four highest consecutive years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service.

Tier 2 members qualify for retirement benefits at age 67 with 10 years of service, or a discounted annuity can be paid at age 62 with 10 years of service. Creditable earnings for retirement purposes are capped and the final average salary is based on the highest consecutive eight years of creditable service rather than the highest four. Disability provisions for Tier 2 are identical to those of Tier 1. Death benefits are payable under a formula that is different than Tier 1.

Essentially all Tier 1 retirees receive an annual 3 percent increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member’s first anniversary in retirement, whichever is later. Tier 2 annual increases will be the lesser of three percent of the original benefit or one-half percent of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member’s first anniversary in retirement, whichever is later.

Public Act 100-0023, enacted in 2017, creates an optional Tier 3 hybrid retirement plan, but it has not yet gone into effect. Public Act 100-0587, enacted in 2018, requires TRS to offer two temporary benefit buyout programs that will expire on June 30, 2024. One program allows retiring Tier 1 members to receive a partial lumpsum payment in exchange for accepting a lower, delayed annual increase. The other allows inactive vested Tier 1 and 2 members to receive a partial lump-sum payment in lieu of a retirement annuity. Both programs began in 2019 and were funded by bonds issued by the State of Illinois.

Contributions

The State of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to the

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90 percent of the total actuarial liabilities of the System by the end of fiscal year 2045.

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2022, was 9.0 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the Center.

On behalf contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the Center. For the year ended June 30, 2022, State of Illinois contributions recognized by the Center were based on the State's proportionate share of the collective net pension liability associated with the Center, and the Center recognized receipts and disbursements of $764,509 in pension contributions from the State of Illinois.

2.2 formula contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2022, were $20,038.

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by the Center, there is a statutory requirement for the Center to pay an employer pension contribution from those funds. Under Public Act 100-0340, the federal and special trust fund contribution rate is the total employer normal cost beginning with the year ended June 30, 2018.

Previously, employer contributions for employees paid from federal and special trust funds were at the same rate as the state contribution rate to TRS and were much higher.

For the year ended June 30, 2022, the Center's pension contribution was 10.3 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2022, $84,562 were paid from federal and special trust funds that required employer contributions.

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

Employer retirement cost contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The Center is required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary.

A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2022, the Center made no payments to TRS for employer contributions due on salary increases in excess of 6 percent and no payments for sick leave days granted in excess of the normal annual allotment.

Illinois Municipal Retirement Fund

IMRF Plan Description

The Center'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 Center's plan is managed by the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section below. Details of all benefits are available from IMRF. 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 Annual Comprehensive Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired ***before*** January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired ***on or after*** January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

As of December 31, 2021, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries currently receiving benefits	26
Inactive Plan Member entitled to but not yet receiving benefits	78
Active Plan Members	130
Total	234

Contributions

As set by statute, the Center's Regular Plan Members are required to contribute 4.5% 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 Center's annual contribution rate

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

for calendar year 2021 was 10.01%. For the fiscal year ended June 30, 2022, the Center contributed $680,606 to the plan. The Center 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS

Teachers' Health Insurance Security Fund

THIS Plan Description

The Center participates in the Teachers' Health Insurance Security (THIS) fund. The THIS fund is a non-appropriated trust fund held outside the State Treasury, with the State Treasurer as custodian. Additions deposited into the Trust are for the sole purpose of providing the health benefits to retirees, as established under the plan, and associated administrative costs. The THIS fund is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers retired employees of participating employers throughout the State of Illinois, excluding the Chicago Public School System. THIS health coverage includes provisions for medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits. Annuitants may participate in the State administered Preferred Provider Organization plan or choose from several managed care options. As a result of the Governor's Executive Order 12-01, the responsibilities in relation to THIS were transferred to the Illinois Department of Central Management Services (CMS) as of July 1, 2013. The CMS administers the plan with the cooperation of the TRS.

Benefits Provided

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The plan is administered by CMS with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 required all active contributors to TRS who are not employees of the State to make a contribution to the THIS Fund.

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

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (Continued)

On-behalf Contributions to the THIS Fund

The State of Illinois makes employer retiree health insurance contributions on behalf of the Center. For the year ended June 30, 2022, State of Illinois contributions recognized by the Center were based on the State's proportionate share of the collective net OPEB liability associated with the Center, and recognized receipt and disbursement of ($27,683) in OPEB contributions from the State of Illinois.

The Center contributions to the THIS Fund

The Center also makes contributions to the THIS Fund. The Center's THIS Fund contribution was 0.67 percent during the year ended June 30, 2022 and 0.92, 0.92, and 0.92 percent during the years ended June 30, 2021, June 30, 2020, and June 30, 2019, respectively. For the year ended June 30, 2022, the Center paid $23,148 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2021, June 30, 2020, and June 30, 2019, the Center paid $25,659, $15,974, and $14,649, respectively, which was 100 percent of the required contributions.

Further information on the THIS Fund

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

<u>Postretirement Health Plan</u>

Plan Description

The Center's employees are covered by the postretirement health plan. The Center provides postemployment health care for eligible retired employees and their spouse through a self-insured individual plan. The GASB issued Statement No.'s 74 and 75 that established generally accepted accounting principles for the annual financial statements for postemployment benefit plans other than pension plans. The required information is as follows:

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (Continued)

Eligibility Provisions

Full-Time Employees - IMRF

Tier I IMRF Full-Time employees age 55 with at least 8 years of service are covered.

Tier II IMRF Full-Time employees age 62 with at least 10 years of service are covered.

Full-Time Employees - TRS

Tier I Full-Time TRS employees age 55 with at least 20 years of service are covered.

Tier II IMRF Full-Time employees age 62 with at least 10 years of service are covered.

Benefits Provided

The Center provides health insurance coverage at the blended employer rate to all eligible Center's retirees in accordance with Illinois Compiled Statutes, which creates an implicit subsidy of retiree health insurance. The Center offers Preferred Provider Organization (PPO) and Health Maintenance Organization (HMO) to full-time IMRF and TRS employees. Retirees pay the full cost of coverage including the cost for spousal coverage. Should the retiree pass away, surviving spouse coverage will also terminate. Coverage is secondary to Medicare once eligible. Additionally, dental and vision coverage are offered to all full time employees. For dental and vision coverage, retirees pay the full cost of coverage including the cost for spousal coverage.

Participant Data

At June 30, 2021, the latest report available, participant data consisted of:

	Participants
Total active employees	111
Inactive employees currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	-
Total	113

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy and Contributions

There is no formal funding policy that exists for the postretirement plan at this time, as the total OPEB liability is currently an unfunded obligation. The employer contributions and benefit payments are related to the increase in active premiums due to the presence of retirees in the determination of blended retiree/active premiums. Contributions from other Center resources and benefit payments from other Center resources refers to contributions made to and benefit payments made from the OPEB Plan that were not directly made to or from the OPEB Trust.

NOTE 6 ON-BEHALF CONTRIBUTIONS

The State of Illinois paid the following salaries and benefits on-behalf of the Center:

Executive Director Salary	$	124,304
Executive Director Fringe Benefits		19,325
Assistant Executive Director Salary		111,869
Assistant Executive Director Fringe Benefits		19,315
Total	$	274,813

Salary and benefit data for the Executive Director and Assistant Executive Director was calculated based on data provided by ISBE. The on-behalf payments are reflected as receipt and disbursement of the General Fund.

The State of Illinois also paid the following contributions on-behalf of the Center:

Center's share of THIS OPEB expense	$	(27,683)
Center's share of TRS pension expense		764,509
Total	$	736,826

The Center recorded $764,509 in receipt and disbursement as on-behalf payment from ISBE for the Center's share of the State's TRS pension expense and ($27,683) in receipt and disbursement as on-behalf payments from the THIS fund for the Center's share of the OPEB expense in the Cash Basis Statement of Activities.

NOTE 7 NON-CANCELABLE LEASES

Lease Commitment - Hillside - Main Offices

On February 26, 2013 the Center leased a commercial building for its main offices. During December 2014, the lease was amended to add additional space. The sixty month lease began on June 1, 2013 and provides for the lease and the "Expansion Space" per the amendment by the Center of approximately 7,500 square feet of space plus the Expansion Space of 2,249 square feet for a total of 9,749 square feet in Hillside, Illinois. Base annual rent is initially set at $7,500 plus $2,316 for the Expansion Space per month with a 3% annual increase. The Center is responsible for common area maintenance and its pro-rata share of real estate taxes. The Center has an option to extend the term of the lease for an additional five year period with respect to the entire premises.

During June 2018, the Center renewed its lease for the 7,500 rentable square feet for two years until May 31, 2020. This was subsequently extended until August 31, 2023. The Center terminated its lease for the additional 2,249 square feet effective July 31, 2018. Lease expense for the year ended June 30, 2022, amounted to $116,175.

Minimum future rental payments under the non-cancelable lease for the year subsequent to June 30, 2022 are as follows:

Year Ended June 30,	Amount
2023	$ 111,792
2024	18,632
Total	$ 130,424

Lease Commitment - Hillside - Harbor Academy

On June 28, 2013, the Center leased a commercial building for the Harbor Academy School. The thirty-six month lease beginning June 28, 2013 provides for the lease by the Center of space in Hillside, Illinois. Base annual rent is initially set at $8,550 per month with a 3.5% annual increase beginning on July 1, 2014. The lease had a renewal option in fiscal year 2017 and was renewed for an additional six years on February 6, 2017 until June 30, 2022. Lease expense for the year ended June 30, 2022, amounted to $87,951.

NOTE 8 INTERFUND TRANSFERS

As of June 30, 2022, interfund transfers consist of the following:

	Transfer in	Transfer out
General Fund:		
Local Sources	$ –	$ 114,653
Non-Public School Compliance Services	80,404	–
Education Fund:		
Technology for Success	–	3,376
Title I – School Improvement and Accountability	25,877	–
ESSA Non-Public Ombudsman	6,219	–
AdvancED	5,529	–
Total	$ 118,029	$ 118,029

Transfers are generally made to provide supplemental funding or move resources from the fund required to collect the resources to the fund required to expend the resources.

NOTE 9 DEFICIT FUND BALANCE

As of June 30, 2022, Education Fund has a deficit balance of $1,343,814. The deficit in fund balance is mainly due to EANS being on a reimbursement basis and amounts spent during the year were not requested for reimbursement and/or received until after year end.

NOTE 10 SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 13, 2026. The following were noted:

1. The Center purchased 415 Lexington St., Maywood, IL in April 2022 for $321,709 and renovated the building in fiscal year 2023 for about $15 million.
2. In May 2023, the Center issued $9 million of Taxable Debt Certificates, Series 2023 maturing on June 1, 2025, and bearing interest at a rate of 5.20%. As of report issuance, the Center has paid the debt certificates in full.
3. In May 2023, the Center purchased the old St. Joseph's High School for $8 million funded primarily by a $6.5 million grant.

SUPPLEMENTARY INFORMATION

Intermediate Service Center No. 2
General Fund
Combining Schedule of Cash Receipts, Disbursements, and Changes in Cash and Cash Equivalents
As of and for the Year Ended June 30, 2022
Schedule 1

	Local Sources	General State Aid/ RSSP Tuition	ALOP	Fingerpriting	Non-Public School Compliance Services	Elimination	Total
RECEIPTS							
State sources	$ -	$ 685,511	$ 11,060,467	$ -	$ -	$ -	$ 11,745,978
Local sources	1,707,835	520,935	-	499	-	-	2,229,269
On-behalf payments - State	1,011,639	-	-	-	-	-	1,011,639
Total receipts	2,719,474	1,206,446	11,060,467	499	-	-	14,986,886
DISBURSEMENTS							
Instructional services:							
Salaries	3,856,140	747,567	2,680,836	2,980	-	-	7,287,523
Benefits	403,292	76,899	749,376	306	-	-	1,229,873
Pension expense	366,249	54,823	247,314	452	-	-	668,838
OPEB expense	22,031	-	-	-	-	-	22,031
Purchased services	1,082,469	119,258	77,952	10,075	-	-	1,289,754
Supplies and materials	344,203	22,011	94,982	-	-	-	461,196
Intergovernmental:							
Payments to other governments	26,869	-	-	-	-	-	26,869
Administrative:							
On-behalf payments - State	1,011,639	-	-	-	-	-	1,011,639
Capital expenditures	396,395	-	-	-	-	-	396,395
Total disbursements	7,509,287	1,020,558	3,850,460	13,813	-	-	12,394,118
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,789,813)	185,888	7,210,007	(13,314)	-	-	2,592,768
OTHER FINANCING SOURCE (USE)							
Transfers in (out)	(114,653)	-	-	-	80,404	-	(34,249)
CHANGE IN CASH AND CASH EQUIVALENTS	(4,904,466)	185,888	7,210,007	(13,314)	80,404	-	2,558,519
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(7,838,772)	(748,803)	11,643,886	10,939	(80,404)	-	2,986,846
CASH AND CASH EQUIVALENTS, END OF YEAR	$ (12,743,238)	$ (562,915)	$ 18,853,893	$ (2,375)	$ -	$ -	$ 5,545,365
CASH BASIS FUND BALANCES							
Assigned	$ -		$ 18,853,893	$ -	$ -	$ -	$ 18,853,893
Unassigned	(12,743,238)	(562,915)	-	(2,375)	-	-	(13,308,528)
TOTAL CASH BASIS FUND BALANCES	$ (12,743,238)	$ (562,915)	$ 18,853,893	$ (2,375)	$ -	$ -	$ 5,545,365

65

	West Cook Math Initiative	Multi-Tier System of Support	Technology for Success	State Free Lunch and Breakfast	School Breakfast Program
RECEIPTS					
Federal sources	$ -	$ -	$ -	$ -	$ 7,418
State sources	-	-	-	259	-
Local sources	-	70,534	-	-	-
Total receipts	-	70,534	-	259	7,418
DISBURSEMENTS					
Instructional services:					
Salaries	2,696	7,475	-	-	-
Benefits	147	-	-	-	-
Pension expense	218	301	-	-	-
OPEB expense	-	176	-	-	-
Purchased services	-	250	-	-	-
Supplies and materials	-	-	-	-	-
Other objects	-	-	-	-	-
Capital expenditures	-	-	-	-	-
Total disbursements	3,061	8,202	-	-	-
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,061)	62,332	-	259	7,418
OTHER FINANCING SOURCE (USE)					
Transfers in (out)	-	-	(3,376)	-	-
CHANGE IN CASH AND CASH EQUIVALENTS	(3,061)	62,332	(3,376)	259	7,418
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,313	(74,097)	3,376	717	6,748
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,252	$ (11,765)	$ -	$ 976	$ 14,166
CASH BASIS FUND BALANCES					
Restricted	$ 1,252	$ -	$ -	$ 976	$ 14,166
Unassigned	-	(11,765)	-	-	-
TOTAL CASH BASIS FUND BALANCES	$ 1,252	$ (11,765)	$ -	$ 976	$ 14,166

	National School Lunch Program	I.S.C. Operations	RSSP	Truants Alternative and Optional Education	Title II - Teacher Quality - Leadership Grant
RECEIPTS					
Federal sources	$ 18,000	$ -	$ -	$ -	$ 1,735
State sources	-	248,061	263,979	177,163	-
Local sources	-	-	-	-	-
Total receipts	18,000	248,061	263,979	177,163	1,735
DISBURSEMENTS					
Instructional services:					
Salaries	-	210,365	127,263	157,429	-
Benefits	-	29,023	7,769	28,513	-
Pension expense	-	4,781	11,236	182	-
OPEB expense	-	105	525	210	-
Purchased services	7,762	-	118,400	1,047	-
Supplies and materials	3,840	-	21,731	4,920	-
Other objects	-	-	-	-	-
Capital expenditures	4,250	-	-	-	-
Total disbursements	15,852	244,274	286,924	192,301	-
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	2,148	3,787	(22,945)	(15,138)	1,735
OTHER FINANCING SOURCE (USE)					
Transfers in (out)	-	-	-	-	-
CHANGE IN CASH AND CASH EQUIVALENTS	2,148	3,787	(22,945)	(15,138)	1,735
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,082	(29,224)	3,166	11,325	(2,244)
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,230	$ (25,437)	$ (19,779)	$ (3,813)	$ (509)
CASH BASIS FUND BALANCES					
Restricted	$ 5,230	$ -	$ -	$ -	$ -
Unassigned	-	(25,437)	(19,779)	(3,813)	(509)
TOTAL CASH BASIS FUND BALANCES	$ 5,230	$ (25,437)	$ (19,779)	$ (3,813)	$ (509)

	Title I - School Improvement and Accountability	Pilot Regional Safe School Cooperative Education	ESSA Non-Public Ombudsman	AdvancED	ESSER
RECEIPTS					
Federal sources	$ -	$ -	$ -	$ -	$ 1,343,549
State sources	-	52,152	-	-	-
Local sources	-	-	-	-	-
Total receipts	-	52,152	-	-	1,343,549
DISBURSEMENTS					
Instructional services:					
Salaries	-	58,989	-	-	872,277
Benefits	-	6,951	-	-	196,909
Pension expense	-	87	-	-	-
OPEB expense	-	101	-	-	-
Purchased services	-	3,427	-	-	109,907
Supplies and materials	-	999	-	-	-
Other objects	-	-	-	-	175,844
Capital expenditures	-	-	-	-	-
Total disbursements	-	70,554	-	-	1,354,937
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(18,402)	-	-	(11,388)
OTHER FINANCING SOURCE (USE)					
Transfers in (out)	25,877	-	6,219	5,529	-
CHANGE IN CASH AND CASH EQUIVALENTS	25,877	(18,402)	6,219	5,529	(11,388)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(25,877)	7,949	(6,219)	(5,529)	-
CASH AND CASH EQUIVALENTS, END OF YEAR	$ -	$ (10,453)	$ -	$ -	$ (11,388)
CASH BASIS FUND BALANCES					
Restricted	$ -	$ -	$ -	$ -	$ -
Unassigned	-	(10,453)	-	-	(11,388)
TOTAL CASH BASIS FUND BALANCES	$ -	$ (10,453)	$ -	$ -	$ (11,388)

	ESSER - Digital Equity	IL - AWARE	EANS	Total
RECEIPTS				
Federal sources	$ 122,253	$ 240,000	$ 23,853,234	$ 25,586,189
State sources	-	-	-	741,614
Local sources	-	-	-	70,534
Total receipts	122,253	240,000	23,853,234	26,398,337
DISBURSEMENTS				
Instructional services:				
Salaries	-	-	371,240	1,807,734
Benefits	-	-	112,208	381,520
Pension expense	-	-	69,017	85,822
OPEB expense	-	-	-	1,117
Purchased services	43,381	154,994	11,035,883	11,475,051
Supplies and materials	13,791	2,758	6,226,650	6,274,689
Other objects	-	-	-	175,844
Capital expenditures	37,787	-	7,608,414	7,650,451
Total disbursements	94,959	157,752	25,423,412	27,852,228
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	27,294	82,248	(1,570,178)	(1,453,891)
OTHER FINANCING SOURCE (USE)				
Transfers in (out)	-	-	-	34,249
CHANGE IN CASH AND CASH EQUIVALENTS	27,294	82,248	(1,570,178)	(1,419,642)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(21,350)	199,692	-	75,828
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,944	$ 281,940	$ (1,570,178)	$ (1,343,814)
CASH BASIS FUND BALANCES				
Restricted	$ 5,944	$ 281,940		$ 309,508
Unassigned	-	-	(1,570,178)	(1,653,322)
TOTAL CASH BASIS FUND BALANCES	$ 5,944	$ 281,940	$ (1,570,178)	$ (1,343,814)

Intermediate Service Center No. 2
Education Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2022
Schedule 3

	I.S.C. Operations				RSSP			
	Budgeted Amounts		Actual	Variance with Final Budget Favorable	Budgeted Amounts		Actual	Variance with Final Budget Favorable
	Original	Final	Amounts	(Unfavorable)	Original	Final	Amounts	(Unfavorable)
RECEIPTS								
Federal sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State sources	248,061	248,061	248,061	-	263,979	263,979	263,979	-
Total receipts	248,061	248,061	248,061	-	263,979	263,979	263,979	-
DISBURSEMENTS								
Instructional services:								
Salaries	107,042	107,042	210,365	(103,323)	127,263	127,263	127,263	-
Benefits	12,158	12,158	29,023	(16,865)	19,524	19,524	7,769	11,755
Pension expense	-	-	4,781	(4,781)	-	-	11,236	(11,236)
OPEB expense	-	-	105	(105)	-	-	525	(525)
Purchased services	128,861	128,861	-	128,861	99,692	98,629	118,400	(19,771)
Supplies and materials	-	-	-	-	17,500	18,563	21,731	(3,168)
Other objects	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total disbursements	248,061	248,061	244,274	3,787	263,979	263,979	286,924	(22,945)
CHANGE IN CASH AND CASH EQUIVALENTS	$ -	$ -	3,787	$ 3,787	$ -	$ -	(22,945)	$ (22,945)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR			(29,224)				3,166	
CASH AND CASH EQUIVALENTS, END OF YEAR			$ (25,437)				$ (19,779)	

	Truants Alternative and Optional Education				Pilot Regional Safe School Cooperative Education			
	Budgeted Amounts		Actual	Variance with Final Budget Favorable	Budgeted Amounts		Actual	Variance with Final Budget Favorable
	Original	Final	Amounts	(Unfavorable)	Original	Final	Amounts	(Unfavorable)
RECEIPTS								
Federal sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State sources	183,545	183,545	177,163	(6,382)	55,351	55,351	52,152	(3,199)
Total receipts	183,545	183,545	177,163	(6,382)	55,351	55,351	52,152	(3,199)
DISBURSEMENTS								
Instructional services:								
Salaries	153,709	157,346	157,429	(83)	53,000	53,000	58,989	(5,989)
Benefits	27,816	24,298	28,513	(4,215)	2,351	2,351	6,951	(4,600)
Pension expense	-	-	182	(182)	-	-	87	(87)
OPEB expense	-	-	210	(210)	-	-	101	(101)
Purchased services	1,000	1,047	1,047	-	-	-	3,427	(3,427)
Supplies and materials	1,020	854	4,920	(4,066)	-	-	999	(999)
Other objects	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total disbursements	183,545	183,545	192,301	(8,756)	55,351	55,351	70,554	(15,203)
CHANGE IN CASH AND CASH EQUIVALENTS	$ -	$ -	(15,138)	$ (15,138)	$ -	$ -	(18,402)	$ (18,402)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR			11,325				7,949	
CASH AND CASH EQUIVALENTS, END OF YEAR			$ (3,813)				$ (10,453)	

	ESSER				ESSER - Digital Equity			
	Budgeted Amounts		Actual	Variance with Final Budget Favorable	Budgeted Amounts		Actual	Variance with Final Budget Favorable
	Original	Final	Amounts	(Unfavorable)	Original	Final	Amounts	(Unfavorable)
RECEIPTS								
Federal sources	$ 1,407,856	$ 1,407,856	$ 1,343,549	$ (64,307)	$ 94,131	$ 94,131	$ 122,253	$ 28,122
State sources	-	-	-	-	-	-	-	-
Total receipts	1,407,856	1,407,856	1,343,549	(64,307)	94,131	94,131	122,253	28,122
DISBURSEMENTS								
Instructional services:								
Salaries	911,416	907,535	872,277	35,258	-	-	-	-
Benefits	229,059	228,541	196,909	31,632	-	-	-	-
Pension expense	-	-	-	-	-	-	-	-
OPEB expense	-	-	-	-	-	-	-	-
Purchased services	106,206	110,605	109,907	698	41,182	41,182	43,381	(2,199)
Supplies and materials	-	-	-	-	12,385	23,385	13,791	9,594
Other objects	161,175	161,175	175,844	(14,669)	-	-	-	-
Capital outlay	-	-	-	-	40,564	29,564	37,787	(8,223)
Total disbursements	1,407,856	1,407,856	1,354,937	52,919	94,131	94,131	94,959	(828)
CHANGE IN CASH AND CASH EQUIVALENTS	$ -	$ -	(11,388)	$ (11,388)	$ -	$ -	27,294	$ 27,294
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR			-				(21,350)	
CASH AND CASH EQUIVALENTS, END OF YEAR			$ (11,388)				$ 5,944	

Intermediate Service Center No. 2
Schedule of Expenditures of Federal Awards - Cash Basis
For the Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed-Through Illinois State Board of Education			
National School Lunch Program	10.555	22-4210-00	$ 15,852
U.S. DEPARTMENT OF EDUCATION			
Passed-Through Illinois State Board of Education			
Education Stabilization Fund - Major Program			
(COVID-19) Elementary and Secondary School Emergency Relief Fund			
(COVID-19) Elementary and Secondary School Emergency Relief Grant	84.425D	22-4998-E3	1,265,194
(COVID-19) Elementary and Secondary School Emergency Relief Grant	84.425D	21-4998-E2	89,743
(COVID-19) Elementary and Secondary Digital Equity	84.425D	22-4998-D2	79,486
(COVID-19) Elementary and Secondary Digital Equity	84.425D	21-4998-DE	15,473
Coronavirus Response and Relief Supplemental Appropriations Act, 2021 Emergency Assistance to Non-Public Schools (CRRSA EANS)	84.425R	586-17-2525	25,423,412
TOTAL EDUCATION STABILIZATION FUND AND TOTAL U.S. DEPARTMENT OF EDUCATION			26,873,308
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed-Through Illinois State Board of Education			
Substance Abuse and Mental Health Services Projects of Regional and National Significance (IL- AWARE)	93.243	-	157,752
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 27,046,912**

The accompanying notes are an integral part of this schedule.

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Intermediate Service Center No. 2 under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Intermediate Service Center No. 2, it is not intended to and does not present the financial position, changes in net position, or cash flows of Intermediate Service Center No. 2.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Intermediate Service Center No. 2 has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.