

STATE OF ILLINOIS
SOUTH COOK INTERMEDIATE
SERVICE CENTER NO. 4
FINANCIAL AUDIT
(IN ACCORDANCE WITH THE SINGLE AUDIT ACT
AND OMB CIRCULAR A-133)
FOR THE YEAR ENDED JUNE 30, 2007

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4
TABLE OF CONTENTS

Officials	1
Compliance Report Summary	2
Financial Statement Report Summary	3
INDEPENDENT AUDITORS' REPORT	4
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	5
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	6
Schedule of Findings and Questioned Costs	7 – 12
Management's Discussion and Analysis	13 – 16
FINANCIAL STATEMENTS	
Statement of Net Assets	17
Statement of Activities	18
Balance Sheet – Governmental Funds	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds to the Statement of Activities	22
Notes to Basic Financial Statements	23 – 34
REQUIRED SUPPLEMENTARY INFORMATION (Other than Management's Discussion and Analysis)	
Illinois Municipal Retirement Fund – Schedule of Funding Progress	35

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

OTHER SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – Education Fund Accounts 36-38

FEDERAL COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards 39

Notes to the Schedule of Expenditures of Federal Awards 40-41

OFFICIALS

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

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

Offices are located at:

253 West Joe Orr Road
Chicago Heights, IL 60411

COMPLIANCE REPORT
SUMMARY

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Description</u>
-----------------	--------------------

FINDINGS (GOVERNMENT AUDITING STANDARDS)

07-1 Inaccurate reporting of expenditures of federal awards (Finding details on pages 8 and 9)

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

07-1 Inaccurate reporting of expenditures of federal awards (Finding details on pages 8 and 9)

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

-N/A-

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

-N/A-

EXIT CONFERENCE

Exit conferences were held with agency personnel on July 22, 2008 and October 3, 2008. Attending were Dr. Vanessa Kinder, Executive Director. Also attending was Jeff Johnson, CPA, Senior Manager from Lindgren, Callihan, Van Osdol & Co., LTD. A response to finding 07-1 was provided that day.

FINANCIAL STATEMENT
REPORT SUMMARY

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

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

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Cook Intermediate Service Center No. 4, as of and for the year ended June 30, 2007, which collectively comprise the South Cook Intermediate Service Center No. 4's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South Cook Intermediate Service Center No. 4's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Cook Intermediate Service Center No. 4, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 1, 2008 on our consideration of the South Cook Intermediate Service Center No. 4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 13 through 16, and page 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Lidger, Callahan, Van Osdol & Co., Ltd.

Dixon, Illinois
November 1, 2008

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Cook Intermediate Service Center No. 4, as of and for the year ended June 30, 2007, which collectively comprise the South Cook Intermediate Service Center No. 4's basic financial statements and have issued our report thereon dated November 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Cook Intermediate Service Center No. 4's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Cook Intermediate Service Center No. 4's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting, item 07-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, of the significant deficiencies described above, we consider item 07-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Cook Intermediate Service Center No. 4's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 07-1.

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

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

Ludger, Calber, Van Osobel & co., Ltd

Dixon, Illinois
November 1, 2008

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the South Cook Intermediate Service Center No. 4 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The South Cook Intermediate Service Center No. 4's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the South Cook Intermediate Service Center No. 4's management. Our responsibility is to express an opinion on the South Cook Intermediate Service Center No. 4's compliance based on our audit.

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

As described in item 07-1 in the accompanying Schedule of Findings and Questioned Costs, the South Cook Intermediate Service Center No. 4 did not comply with requirements regarding expenditure reporting that are applicable to its Title I – School Improvement & Accountability program. Compliance with such requirements is necessary, in our opinion, for the South Cook Intermediate Service Center No. 4 to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the South Cook Intermediate Service Center No. 4 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the South Cook Intermediate Service Center No. 4 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the South Cook Intermediate Service Center No. 4's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness. Accordingly, we do not express an opinion on the effectiveness of South Cook Intermediate Service Center No. 4's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned costs, we consider item 07-1 to be a material weakness.

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

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

Leidy, Collier, Van Osobl [Co., LLC

Dixon, Illinois
November 1, 2008

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

• Material weakness(es) identified?

X yes no

• Significant Deficiencies identified
not considered to be material weaknesses?

 yes X none reported

• Noncompliance material to financial statements noted?

X yes no

Federal Award:

Internal Control over major programs:

• Material weakness(es) identified?

X yes no

• Significant Deficiencies identified
not considered to be material weaknesses?

 yes X none reported

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

Qualified

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

X yes no

Identification of major programs:

CFDA Number

84.010A

Name of Federal Program or Cluster

Title I - School Improvement & Accountability

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

\$300,000

Auditee qualified as low-risk auditee?

 yes X no

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Schedule of Findings and Questioned Costs

(Continued)

Year Ended June 30, 2007

Section II – Financial Statement Findings

Finding No. 07-1 – Inaccurate reporting of expenditures of federal awards (Repeat from 06-1)

Federal Program Name: Title I – School Improvement & Accountability

Project No.: 07-4331-SS & 06-4331-SS

CFDA No.: 84.010A

Pass Through Agency: Illinois State Board of Education

Federal Agency: U.S. Department of Education

1. *Criteria/specific requirement:*

As a subrecipient of federal Title I – School Improvement & Accountability funds from the Illinois State Board of Education (ISBE), South Cook Intermediate Service Center No. 4 (the Center) is required to submit quarterly expenditure reports. These expenditure reports are required to reflect, by budget line item, the actual costs incurred as a result of administering the programs. The Center is also required to expend the federal funds for only allowable costs.

2. *Condition:*

The Center's expenditure reports filed with ISBE were based on estimated costs, rather than actual costs incurred for the Title I – School Improvement & Accountability program. These estimated costs were invoiced by the Center's Local Accounts to the Title I – School Improvement & Accountability program. The auditors concluded that these estimated costs were significantly higher than the costs actually incurred by the Center on the program. Consequently, ISBE's reimbursements to the Center, which were based on the quarterly reports, were greater than the costs incurred. The Center did not have a mechanism in place to accurately accumulate the actual costs incurred by this program. The amounts charged in excess of the actual costs remain in the Local Accounts.

3. *Questioned Cost:*

The Center reported total costs of \$2,139,918 for the Title I – School Improvement & Accountability program on ISBE expenditure reports for fiscal year 2007. However a qualified independent party and auditors determined that actual costs of approximately \$1,716,000 were incurred. The amount of costs over charged to the program is estimated to be \$424,000.

4. *Context:*

The Center received \$2,139,918 in revenues for the Title I – School Improvement & Accountability Program. The Center reported to ISBE expenditures of \$2,139,918. Actual expenditures of \$1,715,877 were determined for the Title I – School Improvement & Accountability Program.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Schedule of Findings and Questioned Costs

(Continued)

Year Ended June 30, 2007

Section II – Financial Statement Findings (Continued)

Finding No. 07-1 – Inaccurate reporting of expenditures of federal awards (Repeat from 06-1) (continued)

Federal Program Name: Title I – School Improvement & Accountability (continued)

5. *Effect:*

The Center materially overstated the costs charged to the Title I – School Improvement & Accountability Program to ISBE. Therefore, the Center is not in compliance with the requirements of the granting agency (ISBE) and OMB Circular A-133.

As a result of the audit finding, the Center has increased “due to other governments” by \$424,041 for this program in the current year and will need to reimburse ISBE for the funds overcharged to the Title I – School Improvement and Accountability Program in both years. The total amount owed to ISBE is \$1,264,431 (\$840,390 for 2006 and \$424,041 for 2007).

6. *Cause:*

According to Center officials, the Center did not have a mechanism in place to accurately track and charge the actual costs incurred by the Local Accounts on behalf of the Title I- School Improvement & Accountability program.

7. *Recommendation:*

The Center should charge the actual costs of administering the Title I – School Improvement & Accountability Program directly to the program accounts. The Center should apply the new procedures to the accounting records in order to provide ISBE with an updated expenditure report for the year ended June 30, 2007 and reimburse ISBE for the overcharged funds.

8. *Management's response:*

The Center will charge actual costs of administering the Title I – School Improvement & Accountability Program directly to the program accounts going forward. As a result of this finding, the Center has recognized an amount due to other governments for all amounts received for this program in excess of the actual costs incurred in the current year. The Center is working with the Illinois State Board of Education to develop a system that will better track actual costs of the Title I – School Improvement & Accountability Program on the Center's financial statements and will tie the financial statements to the completion reports. The year ended June 30, 2008 grant has been amended and approved and reflects the appropriate changes based on the results of this audit.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Schedule of Findings and Questioned Costs

(Continued)

Year Ended June 30, 2007

Section III – Federal Award Findings

Instances of Noncompliance:

07-1 – Inaccurate reporting of expenditures of federal awards (Finding detail on pages 8 and 9)

Reportable Condition:

07-1 – Inaccurate reporting of expenditures of federal awards (Finding detail on pages 8 and 9)

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Corrective Action Plan for Current-Year Audit Finding

Year Ended June 30, 2007

Corrective Action Plan

Finding No.: 07-1

Condition:

The Center's expenditure reports filed with ISBE were based on estimated costs, rather than actual costs incurred for the Title I – School Improvement & Accountability program. These estimated costs were invoiced by the Center's Local Accounts to the Title I – School Improvement & Accountability program. The auditors concluded that these estimated costs were significantly higher than the costs actually incurred by the Center on the program. Consequently, ISBE's reimbursements to the Center, which were based on the quarterly reports, were greater than the costs incurred. The Center did not have a mechanism in place to accurately accumulate the actual costs incurred by this program. The amounts charged in excess of the actual costs remain in the Local Accounts.

Plan:

The Center will charge actual costs of administering the Title I – School Improvement & Accountability Program directly to the program accounts going forward. As a result of this finding, the Center has recognized an amount due to other governments for all amounts received for this program in excess of the actual costs incurred in the current year. The Center is working with the Illinois State Board of Education to develop a system that will better track actual costs of the Title I – School Improvement & Accountability Program on the Center's financial statements and will tie the financial statements to the completion reports. The year ended June 30, 2008 grant has been amended and approved and reflects the appropriate changes based on the results of this audit.

Anticipated Date of Completion:

June 30, 2008

Name of Contact Person: Dr. Vanessa Kinder, Executive Director

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2007

Summary Schedule of Prior Audit Findings

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
06-1	Inaccurate reporting of expenditures of federal awards	Repeat 07-1

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Required Supplementary Information Management's Discussion and Analysis

Year Ended June 30, 2007

As management of South Cook Intermediate Service Center No. 4, we offer the readers of the financial statements this narrative overview and analysis of the financial activities of South Cook Intermediate Service Center No. 4 for the year ended June 30, 2007.

Management's Discussion and Analysis (MD&A) is a new element of required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 issued in June 1999. Certain comparative information between the current year (2007) and the prior year (2006), is required to be presented in the MD&A.

MD&A is provided at the beginning of the report to provide an overview of South Cook Intermediate Service Center No. 4's financial position at June 30, 2007 and the results of operations for the year. This summary should not be taken as a replacement for the audit report, which consists of the financial statements, notes to the financial statements, required and other supplementary information.

Using This Financial Report

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

Government – Wide Financial Statements

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

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

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Required Supplementary Information

Management's Discussion and Analysis (Continued)

Year Ended June 30, 2007

Fund Financial Statements

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

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

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

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

Condensed Financial Information

Net assets are summarized in the table below.

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Assets:		
Current Assets	\$ 7,982,649	\$6,130,179
Capital Assets	<u>3,225,659</u>	<u>2,774,615</u>
Total Assets	<u>11,208,308</u>	<u>8,904,794</u>
Liabilities:		
Current Liabilities	<u>1,511,936</u>	<u>1,290,173</u>
Net Assets:		
Invested Capital Assets, net of related debt	3,225,659	2,774,615
Unrestricted	<u>6,470,713</u>	<u>4,840,006</u>
Total Net Assets	<u>\$ 9,696,372</u>	<u>\$7,614,621</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Required Supplementary Information

Management's Discussion and Analysis (Continued)

Year Ended June 30, 2007

Condensed Financial Information (continued)

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

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

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Revenues received:		
Program:		
Operating grants and contributions	\$ 6,264,162	\$ 5,885,796
General:		
Local sources	941,183	824,751
On-behalf payments	138,167	87,546
Interest	329,959	149,136
Total revenue received	<u>7,673,471</u>	<u>6,947,229</u>
Expenditures disbursed:		
Instructional services:		
Supporting services	5,453,053	4,888,467
Nonprogrammed charges	500	101,466
Administrative services:		
On-behalf payments	138,167	87,546
Total expenditures disbursed	<u>5,591,720</u>	<u>5,077,479</u>
Change in net assets	2,081,751	1,869,750
Net assets – beginning	<u>7,614,621</u>	<u>5,744,871</u>
Net assets – ending	<u>\$ 9,696,372</u>	<u>\$ 7,614,621</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Required Supplementary Information

Management's Discussion and Analysis (Continued)

Year Ended June 30, 2007

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

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

GASB Statement No. 34 affects South Cook Intermediate Service Center No. 4's reporting model, but not the day-to-day operations or the budgeting process. South Cook Intermediate Service Center No. 4's total fund balance was \$6,470,713.

Capital assets

During the year ended June 30, 2007, South Cook Intermediate Service Center No. 4 invested monies to various capital assets. The total amount invested in capital assets this year was \$710,007. The invested amounts consisted primarily of computer equipment, building renovations, a garage, and a truck.

Unrestricted Net Assets

During the year, unrestricted net assets and net assets invested in capital assets increased \$2,081,751 which is comparable to the prior year. Total revenue for fiscal year ended June 30, 2006 was \$6,947,229 and increased by \$726,242 to \$7,673,471 for fiscal year ended June 30, 2007. Expenses increased by \$514,241 from \$5,077,479 in fiscal year ended June 30, 2006, to \$5,591,720 during fiscal year ended June 30, 2007. The factors which have contributed to this condition are explained below.

Factors or Conditions Impacting Future Periods

The center had steady increases in virtually all revenue sources during the year.

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

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

Contacting the Intermediate Service Center's Financial Management

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

BASIC FINANCIAL STATEMENTS

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Statement of Net Assets

June 30, 2007

<u>ASSETS</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 7,582,145
Accounts receivable - governmental claims	400,504
Total current assets	<u>7,982,649</u>
Noncurrent assets:	
Capital Assets, being depreciated, net	<u>3,225,659</u>
Total assets	<u>11,208,308</u>
 <u>LIABILITIES</u> 	
Current Liabilities:	
Accounts payable	213,939
Due to other governments	1,264,431
Deferred revenue	33,566
Total current liabilities	<u>1,511,936</u>
 <u>NET ASSETS</u> 	
Invested capital assets, net of related debt	3,225,659
Unrestricted	<u>6,470,713</u>
Total net assets	<u>\$ 9,696,372</u>

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Statement of Activities Year Ended June 30, 2007

	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Governmental Activities
FUNCTIONS/PROGRAMS			
Primary government:			
Governmental activities:			
Instructional Services:			
Supporting Services	\$ 5,453,053	\$ 6,264,162	\$ 811,109
Nonprogrammed Charges	500	-0-	(500)
Administrative:			
On-behalf payments	138,167	-0-	(138,167)
Total governmental activities	\$ 5,591,720	\$ 6,264,162	672,442
General revenues:			
Local sources			941,183
On-behalf payments			138,167
Interest			329,959
Total general revenues, special and extraordinary items, and transfers			1,409,309
Change in net assets			2,081,751
Net assets - beginning			7,614,621
Net assets - ending			\$ 9,696,372

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Balance Sheet Governmental Funds June 30, 2007

	<u>Education Fund</u>
<u>ASSETS</u>	
Petty cash	\$ 200
Cash - Imprest Fund	10,000
Equity in pooled cash and investments	7,571,945
Accounts receivable - governmental claims	400,504
	<hr/>
Total assets	\$ 7,982,649
<u>LIABILITIES</u>	
Accounts payable	\$ 213,939
Due to other governments	1,264,431
Deferred revenue	33,566
	<hr/>
Total liabilities	1,511,936
<u>FUND BALANCE</u>	
Fund balance	6,470,713
	<hr/>
Total liabilities and fund balances	\$ 7,982,649
	<hr/> <hr/>

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Reconciliation of the Governmental Funds Balance Sheet

to the Statement of Net Assets

June 30, 2007

Total fund balance - governmental fund	\$ 6,470,713
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	<u>3,225,659</u>
Net assets of governmental activities	<u><u>\$ 9,696,372</u></u>

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June, 30 2007

	<u>Education Fund</u>
<u>REVENUES</u>	
Local sources	\$ 1,271,142
State sources	3,326,424
Federal sources	2,937,738
Total direct revenues	7,535,304
On-behalf payments	138,167
Total revenues	7,673,471
<u>EXPENDITURES</u>	
Current:	
Support services	5,904,097
Nonprogrammed charges	500
Total direct expenditures	5,904,597
On-behalf payments	138,167
Total expenditures	6,042,764
Excess of revenues over expenditures	1,630,707
Fund balance, July 1, 2006	4,840,006
Fund balance, June 30, 2007	\$ 6,470,713

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net change in fund balances		\$	1,630,707
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay	\$	710,007	
Depreciation expense		(247,163)	
Net adjustment			462,844
Loss on disposal of capital assets			(11,800)
Change in net assets of governmental activities		\$	<u>2,081,751</u>

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4
Notes To Basic Financial Statements
 June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes To Basic Financial Statements

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

A. Reporting Entity:

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

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

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

B. Adoption of New Accounting Standard:

In 2007, South Cook Intermediate Service Center No. 4 implemented Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; and GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. South Cook Intermediate Service Center No. 4 implemented these standards during the current year, however; they do not have a significant impact on the financial statements.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements) as of June 30, 2007.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes To Basic Financial Statements

June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Government-Wide and Fund Financial Statements:

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

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

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

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

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

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

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

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

All federal, State and local programs are accounted for in the Education Fund. Federal grants that are accounted for and included in the Education Fund in the financial statements are as follows: Title II – Teacher Quality – Leadership Grant, Title I – School Improvement and Accountability, Title I – Reading First Part B SEA Funds, and Learn and Serve America.

State grants that are accounted for in the Education Fund are as follows: I.S.C. Operations, Governor Operating, Other State Programs, Learning Technology Center, Regional Safe Schools – General State Aid, and Regional Safe Schools.

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

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

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity:

Deposits and Investments

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

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

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

Investments are stated at fair value.

Prepaid Items

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

Capital Assets

Capital assets used in governmental fund types are recorded in the government-wide financial statements at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. All capital assets, except for construction in progress, are being depreciated using the straight-line method over the following useful life:

Equipment	7 years
Buildings	40 years

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

Long-Term Obligations

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued):

Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information:

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

Federal grants administered that have budgets are as follows: Title II – Teacher Quality – Leadership Grant, Title I – School Improvement and Accountability, Title I – Reading First Part B SEA Funds, and Learn and Serve America.

State grants administered that have budgets are as follows: I.S.C. Operations, Governor Operating, Other State Programs, Learning Technology Center, Regional Safe Schools – General State Aid and Regional Safe Schools.

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

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

The reported budgetary data represents the original budget as reviewed.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2007

3. DETAILED NOTES ON FUND

A. Deposits and Investments:

Cash balances are maintained at one financial institution. All bank balances as of June 30, 2007 are entirely insured by the Federal Deposit Insurance Corporation.

At June 30, 2007, investment balances consisted of the following:

	<u>Carrying Value/ Fair Value</u>	<u>Cost</u>
Petty Cash	\$ 200	\$ 200
Cash Deposits	10,000	10,000
Investments not subject to categorization:		
Equity in pooled cash and investments of the Bloom Township School Treasurer	<u>7,571,945</u>	<u>7,571,945</u>
	<u>\$7,582,145</u>	<u>\$7,582,145</u>

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

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

As of June 30, 2007, the credit ratings by Moody's or Standard and Poor's were A, AA, and AAA which are all average credit quality.

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

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

B. Accounts Receivable - Governmental Claims:

Accounts receivable at June 30, 2007 consisted of the following amounts due from Federal and State programs:

Title I – Reading First Part B – SEA Funds	\$ 83,646
Title I – School Improvement & Accountability	222,786
Title II – Teacher Quality – Leadership Grant	4,000
Other State Programs	<u>90,072</u>
	<u>\$400,504</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2007

3. DETAILED NOTES ON FUND (continued)

C. Capital Assets:

The governmental activities capital assets activity for the year ended June 30, 2007 is as follows:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Cost:				
Equipment	\$1,544,886	\$271,048	\$143,546	\$1,672,388
Buildings	<u>2,583,077</u>	<u>438,959</u>	<u>-0-</u>	<u>3,022,036</u>
	<u>\$4,127,963</u>	<u>\$710,007</u>	<u>\$143,546</u>	<u>\$4,694,424</u>
 Accumulated Depreciation:				
Equipment	\$ 753,436	\$181,642	\$131,746	\$ 803,332
Buildings	<u>599,912</u>	<u>65,521</u>	<u>-0-</u>	<u>665,433</u>
	<u>\$1,353,348</u>	<u>\$247,163</u>	<u>\$131,746</u>	<u>\$1,468,765</u>
 Total Capital Assets, Net				
Equipment	\$ 791,450	\$ 89,406	\$11,800	\$ 869,056
Buildings	<u>1,983,165</u>	<u>373,438</u>	<u>-0-</u>	<u>2,356,603</u>
	<u>\$2,774,615</u>	<u>\$462,844</u>	<u>\$11,800</u>	<u>\$3,225,659</u>

Depreciation expense was charged to governmental functions as follows:

Support Services \$ 247,163

D. Deferred Revenue:

Deferred revenue is recognized in programs where program monies have been received but not yet spent. The following programs recognized deferred revenue at June 30, 2007:

Title I – Reading First Part B – SEA Funds \$ 33,566

E. Due to Other Governments:

Due to other governments has been recognized in the Title I – School Improvement and Accountability program where program monies were received but not spent and owed back to the awarding agency. (See finding 07-1).

Title I – School Improvement and Accountability \$1,264,431

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2007

4. OTHER INFORMATION

A. Risk Management:

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

B. Employee Retirement Systems and Plans:

Teachers' Retirement System of the State of Illinois

South Cook Intermediate Service Center No. 4 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the System's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2007 was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The member THIS Fund contribution was 0.6 percent during year ended June 30, 2007, and the member THIS Fund health insurance contribution was 0.80 percent.

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

- *On-behalf contributions.* The State of Illinois makes employer pension contributions on behalf of South Cook Intermediate Service Center No. 4. For the year ended June 30, 2007, the State of Illinois contributions were based on 9.78 percent of creditable earnings, and recognized revenue and expenditures of \$138,167 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2006 and June 30, 2005, the State of Illinois contribution rates as percentages of creditable earnings were 7.06 percent (\$87,546) and 11.76 percent (\$103,840), respectively.

The State contributions to TRS for the years ended June 30, 2007 and June 30, 2006 were based on dollar amounts specified by the statute and were not actuarially determined. The State contributions for the year ended June 30, 2005 were based on an actuarial formula.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2007

4. OTHER INFORMATION

B. Employee Retirement Systems and Plans (continued):

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

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

- *2.2 formula contributions.* Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2007 were \$8,194. Contributions for the years ending June 30, 2006, and June 30, 2005, were \$7,192 and \$5,121, respectively.
- *Federal and trust fund contributions.* When TRS members are paid from federal and trust funds administered by South Cook Intermediate Service Center No. 4, there is a statutory requirement to pay an additional employer contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and trust funds will be the same as the State contribution rate to TRS. For the year ended June 30, 2007, the employer pension contribution was 9.78 percent of salaries paid from federal and trust funds. For the year ended June 30, 2006, the employer contribution was 7.06 percent of salaries paid from Federal and trust funds. For the year ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2007, salaries totaling \$147,872 were paid from federal and trust funds that required employer contributions of \$14,462. For the years ended June 30, 2006 and June 30, 2005, required contributions were \$5,861 and \$8,345, respectively.
- *Early Retirement Option.* South Cook Intermediate Service Center No. 4 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member and under which ERO program the member retires. Under Public Act 94-0004, a "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007. If members do not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS.

Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies for the Pipeline ERO). Under the ERO program that expired on June 30, 2005 and the Pipeline ERO, the maximum employer contribution is 100 percent of the member's highest salary used in the final average salary calculation. Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement. For the year ended June 30, 2007, the Center paid \$-0- to TRS for employer contributions under the Pipeline ERO and Modified ERO programs. For the years ended June 30, 2006 and June 30, 2005, the Center paid \$-0- in employer ERO contributions.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2007

4. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Plans (continued):

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

TRS financial information, an explanation of TRS benefits and descriptions of member and state funding requirements can be found in the TRS Comprehensive Annual Financial Report for the year ended June 30, 2006. The report for the year ended June 30, 2007 is expected to be available late 2008. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, Illinois 62794-9253. The most current report is also available on the TRS web site at www.trs.state.il.us.

Illinois Municipal Retirement Fund

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

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. South Cook Intermediate Service Center No. 4 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2006 was 12.94% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2006 was 5 years.

For December 31, 2006, the annual pension cost of \$103,771 was equal to required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit; and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2006 actuarial valuation were based on the 2002-2004 experience study.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2007

4. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Plans (continued):

Illinois Municipal Retirement Fund (continued)

TREND INFORMATION

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/06	103,771	100%	\$0
12/31/05	63,592	100%	\$0
12/31/04	30,276	100%	\$0
12/31/03	24,356	100%	\$0
12/31/02	8,726	100%	\$0
12/31/01	14,594	100%	\$0
12/31/00	3,083	100%	\$0
12/31/99	8,053	100%	\$0
12/31/98	11,146	100%	\$0
12/31/97	9,907	100%	\$0

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4
Illinois Municipal Retirement Fund – Schedule of Funding Progress
(Unaudited)
June 30, 2007

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/06	\$632,622	\$758,663	\$126,041	83.39%	\$801,940	15.73%
12/31/05	\$474,816	\$597,857	\$123,041	79.42%	\$602,194	20.43%
12/31/04	\$365,325	\$482,612	\$117,287	75.70%	\$401,539	29.21%
12/31/03	\$313,946	\$337,990	\$24,044	92.89%	\$322,177	7.46%
12/31/02	\$296,042	\$279,210	(\$16,832)	106.03%	\$307,261	0.00%
12/31/01	\$253,240	\$220,501	(\$32,739)	114.85%	\$273,298	0.00%
12/31/00	\$252,135	\$194,943	(\$57,192)	129.34%	\$168,480	0.00%
12/31/99	\$211,903	\$168,081	(\$43,822)	126.07%	\$151,091	0.00%
12/31/98	\$167,320	\$144,858	(\$22,462)	115.51%	\$154,802	0.00%
12/31/97	\$179,282	\$165,768	(\$13,514)	108.15%	\$166,435	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2006 is \$680,627. On a market basis, the funded ratio would be 89.71%.

Digest of Changes-

The actuarial assumptions used to determine the actuarial accrued liability for 2006 are based on the 2002-2004 Experience Study.

The principal changes were:

- The 1994 Group Annuity Mortality implemented.
- For Regular members, fewer normal and more early retirements are expected to occur.

SLEP member contribution rate changed from 6.50% to 7.50% effective June 1, 2006.

OTHER SUPPLEMENTARY INFORMATION

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Budgetary Comparison Schedule

Education Fund Accounts

Year Ended June 30, 2007

<u>REVENUES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Local Sources			
Interest	\$ 40,000	\$ 329,959	\$ 289,959
Services Provided Other LEA's	1,071,820	941,183	(130,637)
Total Local Sources	<u>1,111,820</u>	<u>1,271,142</u>	<u>159,322</u>
State Sources			
Regional Safe Schools-General State Aid	1,006,793	1,006,793	-0-
Regional Safe Schools Program	1,248,413	1,248,413	-0-
Governor Operating	216,100	212,641	(3,459)
Other State Programs	850,000	801,844	(48,156)
I.S.C. Operations	54,233	54,233	-0-
Learning Technology Center	-0-	2,500	2,500
Total State Sources	<u>3,375,539</u>	<u>3,326,424</u>	<u>(49,115)</u>
Federal Sources			
Learn and Serve America	14,000	14,000	-0-
Title I - School Improvement and Accountability	2,139,918	1,715,877	(424,041)
Title II - Teacher Quality - Leadership Grant	100,000	100,000	-0-
Title I - Reading First Part B SEA Funds	813,550	1,107,861	294,311
Total Federal Sources	<u>3,067,468</u>	<u>2,937,738</u>	<u>(129,730)</u>
Total Direct Revenues	<u>7,554,827</u>	<u>7,535,304</u>	<u>(19,523)</u>
On-behalf Payments	-0-	138,167	138,167
Total Revenues	<u>7,554,827</u>	<u>7,673,471</u>	<u>118,644</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Budgetary Comparison Schedule Education Fund Accounts (Continued)

Year Ended June 30, 2007

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Support Services			
Instructional Staff			
Instruction			
Salaries	994,722	920,009	74,713
Employee Benefits	133,390	121,360	12,030
Purchased Services	9,900	9,900	-0-
Supplies and Materials	24,600	30,812	(6,212)
Capital Outlay	50,322	7,519	42,803
Attendance and Social Work Services			
Salaries	-0-	-0-	-0-
Employee Benefits	-0-	332	(332)
Purchased Services	-0-	-0-	-0-
Improvement of Instruction Services			
Salaries	587,761	782,493	(194,732)
Employee Benefits	169,556	127,504	42,052
Purchased Services	3,216,313	1,023,160	2,193,153
Supplies and Materials	236,521	458,198	(221,677)
Capital Outlay	165,000	256,579	(91,579)
Educational Media Services			
Purchased Services	2,600	318	2,282
Total Instructional Staff	<u>5,590,685</u>	<u>3,738,184</u>	<u>1,852,501</u>
General Administration			
Board of Education Services			
Purchased Services	25,548	1,750	23,798
Executive Administration Services			
Salaries	342,000	354,569	(12,569)
Employee Benefits	45,991	52,585	(6,594)
Purchased Services	370,509	123,858	246,651
Supplies and Materials	33,000	66,457	(33,457)
Capital Outlay	20,000	8,318	11,682
Other Objects	6,000	3,524	2,476
Office of Principal Services			
Salaries	216,439	216,439	-0-
Employee Benefits	55,666	60,197	(4,531)
Purchased Services	3,000	838	2,162
Supplies and Materials	27,837	28,261	(424)
Total General Administration	<u>1,145,990</u>	<u>916,796</u>	<u>229,194</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Budgetary Comparison Schedule Education Fund Accounts (Continued)

Year Ended June 30, 2007

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Business			
Fiscal Services			
Salaries	39,077	39,077	-0-
Employee Benefits	18,157	16,953	1,204
Purchased Services	86,000	-0-	86,000
Facility Acquisition & Construction Services			
Capital Outlay	950,000	441,684	508,316
Operation and Maintenance of Plant Services			
Salaries	179,193	215,284	(36,091)
Employee Benefits	24,915	28,256	(3,341)
Purchased Services	153,000	219,584	(66,584)
Supplies and Materials	71,500	79,382	(7,882)
Capital Outlay	29,133	14,140	14,993
Pupil Transportation			
Purchased Services	6,887	8,185	(1,298)
Food Services			
Purchased Services	4,000	7,737	(3,737)
Data Processing Services			
Salaries	-0-	148,012	(148,012)
Employee Benefits	-0-	29,987	(29,987)
Total Business	<u>1,561,862</u>	<u>1,248,281</u>	<u>313,581</u>
Other Support Services			
Supplies and Materials	<u>1,290</u>	<u>836</u>	<u>454</u>
Total Other Support Services	<u>1,290</u>	<u>836</u>	<u>454</u>
Total Support Services	<u>8,299,827</u>	<u>5,904,097</u>	<u>2,395,730</u>
Nonprogrammed Charges			
Other Payments to In-State Government Units			
Purchased Services	<u>-0-</u>	<u>500</u>	<u>(500)</u>
Total Direct Expenditures	<u>8,299,827</u>	<u>5,904,597</u>	<u>2,395,230</u>
On-behalf Payments	<u>-0-</u>	<u>138,167</u>	<u>(138,167)</u>
Total Expenditures	<u>8,299,827</u>	<u>6,042,764</u>	<u>2,257,063</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (745,000)</u>	1,630,707	<u>\$ 2,375,707</u>
Fund Balance, July 1, 2006		<u>4,840,006</u>	
Fund Balance, June 30, 2007		<u>\$ 6,470,713</u>	

FEDERAL COMPLIANCE SECTION

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

Federal Grantor/ Program or Cluster Title	CFDA Number (A)	Project # or Contract # (B)	Expenditures	
			7/01/05 - 6/30/06 (C)	7/01/06 - 06/30/07 (D)
U.S. Dept. of Education passed through Illinois State Board of Education (ISBE):				
Title I - School Improvement and Accountability (M)	84.010A	07-4331-SS		\$ 1,715,877
Title I - School Improvement and Accountability (M)	84.010A	06-4331-SS	\$ 1,299,528	
			1,299,528	1,715,877
Title II - Teacher Quality - Leadership Grant	84.340A	07-4935-SS		100,000
Title I - Reading First Part B SEA Funds	84.357A	07-4337-00		492,414
Title I - Reading First Part B SEA Funds	84.357A	07-4337-04		216,434
Title I - Reading First Part B SEA Funds	84.357A	06-4337-01	185,879	174,753
Title I - Reading First Part B SEA Funds	84.357A	06-4337-00	110,556	46,302
Title I - Reading First Part B SEA Funds	84.357A	06-4337-02	31,457	64,235
Title I - Reading First Part B SEA Funds	84.357A	06-4337-04	216,237	113,723
			544,129	1,107,861
U.S. Dept. of Health and Human Services passed through Illinois State Board of Education (ISBE):				
Learn & Serve America	94.004	07-4910-00		14,000
Total Expenditures of Federal Awards			\$ 1,843,657	\$ 2,937,738

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

The accompanying notes are an integral part of this schedule.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

NOTE 2 – SUBRECIPIENTS

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

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

NOTE 3 – DESCRIPTION OF MAJOR PROGRAM

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

Title I – School Improvement & Accountability:

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

The goals of the program are to:

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

NOTE 4 – NONCASH ASSISTANCE

-NONE-

NOTE 5 – LOAN AND LOAN GUARANTEES OUTSTANDING

-NONE-

NOTE 6 – INSURANCE

-NONE-