STATE OF ILLINOIS
INTERMEDIATE SERVICE CENTER NO. 2

FINANCIAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

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

INTERMEDIATE SERVICE CENTER NO. 2
TABLE OF CONTENTS

INTERMEDIATE SERVICE CENTER NO. 2
TABLE OF CONTENTS (CONTINUED)

INTERMEDIATE SERVICE CENTER NO. 2

OFFICIALS

Executive Director (Current and during the audit period)	Dr. Mark Klaisner
Assistant Executive Director (July 1, 2017 to Current)	Dr. Michael Popp
Assistant Executive Director (July 1, 2016 through June 30, 2017)	Ms. Lisa Murray
Financial Assistant (Current and during the audit period)	Ms. Maria Creevy
Business & Financial Analyst (July 1, 2016 through December 31, 2017)	Ms. Linda Rogers

Office is located at:

4413 Roosevelt Road
Suite 104
Hillside, IL 60162

INTERMEDIATE SERVICE CENTER NO. 2

FINANCIAL REPORT SUMMARY

For the Year Ended June 30, 2017

The financial 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 do not contain scope limitations, disclaimers or other significant non-standard language.

SUMMARY OF AUDIT FINDINGS

Number of	This Audit	Prior Audit
Audit findings	6	6
Repeated audit findings	3	5
Prior recommendations implemented or not repeated	3	0

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*)	
2017-001	10	Delay of Audit	Noncompliance
2017-002	12	Inadequate Internal Control Procedures	Material Weakness
2017-003	14	Inadequate Controls Over Procurement-Card Transactions	Significant Deficiency
2017-004	16	Inadequate Controls Over Payroll	Significant Deficiency
2017-005	17	Lack of Adequate Controls Over the Review of Internal Controls Over External Service Providers	Significant Deficiency
2017-006	19	Lack of Controls Over Illinois Municipal Retirement Fund (IMRF) Census Data	Material Weakness
		PRIOR FINDINGS NOT REPEATED (*GOVERNMENT AUDITING STANDARDS*)	
2016-002	22	Use of Designated Grant Balances	Material Weakness
2016-005	22	Salaries and Benefits Not Supported by Proper Time and Effort Documentation	Significant Deficiency and Noncompliance
		PRIOR FINDINGS NOT REPEATED (*FEDERAL COMPLIANCE*)	
2016-005	22	Salaries and Benefits Not Supported by Proper Time and Effort Documentation	Significant Deficiency and Noncompliance
2016-006	22	Noncompliance with Grant Requirements	Significant Deficiency and Noncompliance

EXIT CONFERENCE

Intermediate Service Center No. 2 did not request an exit conference to discuss the audit for the year ended June 30, 2017. Responses to the findings were provided by Dr. Michael Popp on June 17, 2021.

INTERMEDIATE SERVICE CENTER NO. 2
FINANCIAL STATEMENT REPORT SUMMARY
For the Year Ended June 30, 2017

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 a qualified opinion on the Intermediate Service Center No. 2's basic financial statements.

INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Board of Directors
Intermediate Service Center No. 2

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities and each major fund of the Intermediate Service Center No. 2, as of and for the year ended June 30, 2017, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on Governmental Activities

We were unable to obtain sufficient appropriate audit evidence about the Intermediate Service Center No. 2's proportionate share of the Illinois Municipal Retirement Fund (IMRF) net pension liability, the deferred outflow of resources related to pensions, the deferred inflow of resources related to pensions and the pension expense. The census data provided by the IMRF actuary did not reconcile to the Intermediate Service Center No. 2's records. Consequently, we were unable to determine the accuracy of the underlying data used to develop the actuarial estimates for the above mentioned balances or whether the effects of any necessary adjustments to those balances would be material.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Intermediate Service Center No. 2, as of June 30, 2017, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Employer's Proportionate Share of the Net Pension Liability – Teachers' Retirement System of the State of Illinois, the Schedule of Employer Contributions – Teachers' Retirement System of the State of Illinois, the Schedule of Changes in the Net Pension Liability and Related Ratios – Illinois Municipal Retirement Fund, and the Schedule of Employer Contributions – Illinois Municipal Retirement Fund on pages 60-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other 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 combining schedules of accounts, the budgetary comparison schedules, and the combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining schedule of accounts, the budgetary comparison schedules and the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The combining schedule of accounts, the budgetary comparison schedules and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021, 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
June 29, 2021

**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 Frank J. Mautino
Auditor General
State of Illinois

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 financial statements of the governmental activities and each major fund of the Intermediate Service Center No. 2 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Intermediate Service Center No. 2's basic financial statements, and we have issued our report thereon dated June 29, 2021. That report contained a qualified opinion with respect to governmental activities because we were unable to obtain sufficient appropriate audit evidence about the Intermediate Service Center No. 2's proportionate share of the Illinois Municipal Retirement Fund net pension liability, the deferred outflow of resources related to pensions, the deferred inflow of resources related to pensions and the pension expense.

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) to determine the 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 preceeding 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 have not been identified. However, as described in the accompanying Schedule of Findings and Responses we did identify certain deficiencies in internal control that we consider to be material weakness 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 Responses as items 2017-002 and 2017-006 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 Responses as items 2017-003, 2017-004, and 2017-005 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 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 Responses as item 2017-001.

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

The Intermediate Service Center No. 2's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Intermediate Service Center No. 2's responses were not subjected to the 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.

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Hillside, Illinois
June 29, 2021

INTERMEDIATE SERVICE CENTER No. 2

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements in Accordance with GAAP

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
● Material weakness identified?	Yes
● Significant deficiency identified?	Yes
● Noncompliance material to financial statements noted?	No

FINDING NO. 2017-001 –Delay of Audit
(Repeated from finding 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.

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. Annual financial statements are to be prepared on an accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

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, 2017 deadline.

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. 2017-001 –Delay of Audit (Continued)
(Repeated from finding 16-004 and 15-004)

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). Annual financial statements should be compiled on an accrual basis of accounting in accordance with GAAP and thoroughly reviewed prior to presentation to the Auditor General's independent auditors for audit by the August 31 deadline.

Management Response

As this writing is occurring in FY21, we expect to see this as an ongoing finding for the audits yet to be completed for FY18-20. We have worked with our contracted accountant over the past five 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 will start work here in July 2021 to address this issue and other findings in this document.

FINDING NO. 2017-002 – Inadequate Internal Control Procedures (Partially repeated from Findings 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:

- 1 out of 12 journal entries sampled during audit testing lacked supporting documentation and 1 lacked supervisory approval.
- 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.
- A prior period error was not detected on a timely basis. In fiscal year 2017, the ISC restated its beginning fund balances in the General Fund ($202,897 reduction) and Institute Fund ($202,897 increase).
- Rent payments on a facility lease were overpaid by $13,631 based on an outdated lease agreement. The ISC continued to make payments based on the original lease agreement rather than the amended agreement which had a lower monthly rent.
- 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 receivable balances. Additionally, there is no formal process for reviewing outstanding receivables.
- There is a lack of controls over equipment inventory. The ISC has a detailed listing of capital assets costing over $1,500 and acquired after 2015, however no details of assets acquired prior to that time were available nor are annual physical inventories taken.

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.

FINDING NO. 2017-002 – Inadequate Internal Control Procedures (Continued) (Partially repeated from Findings 16-001, 15-001, 14-001, 13-001 and 12-1)

Recommendation

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

- All journal entries should be supported by appropriate documentation and have evidence of supervisory review.
- Transactions should be posted directly to appropriate accounts upon initial recording to avoid subsequent reclassifications.
- Financial reports should be thoroughly reviewed prior to issuance.
- Disbursements should be reviewed for accuracy and supported by proper documentation.
- Incompatible accounting functions need to be segregated and a formal process for reviewing outstanding receivables implemented.
- Capital asset inventories need to be taken on an annual basis and detailed records maintained.

Management Response

- All journal entries will be supported by appropriate documentation and have evidence of supervisory review.
- Since the original finding regarding reclassifications, we have been training staff to provide accurate account coding to minimize the number of journal entries needed.
- Financial reports will be thoroughly reviewed prior to issuance.
- Disbursements will be reviewed for accuracy and supported by proper documentation.
- Accounting functions will be segregated and a formal process for reviewing outstanding receivables implemented.
- Capital asset inventories will be taken on an annual basis and detailed records maintained.

FINDING NO. 2017-003 – Inadequate Controls Over Procurement-Card Transactions (Partially repeated from Finding 16-003, 15-003 and 14-004)

Criteria/Specific Requirements

Intermediate Service Center No. 2 is required to maintain a system of controls over disbursements to prevent errors, omissions, and fraud. Additionally, expenses incurred should be for a business purpose and represent economical and effective use of the Intermediate Service Center No. 2's resources.

Condition

Internal controls over disbursements are not effectively designed and implemented. During our testing of procurement-card (P-card) transactions, the auditors noted the following:

- Personal expenses were charged by two employees on Intermediate Service Center No. 2's P-card. These expenses were paid back in full by the employees with personal checks written to the credit card company. The Intermediate Service Center No. 2 maintained copies of the personal checks and the related charge receipts with the credit card statements. Personal expenses charged within the transactions tested totaled $772.
- 1 out of 40 (2.5%) credit card statements sampled was not available although a supporting receipt was provided.
- While testing internal controls over disbursements, 1 out of 40 (2.5%) disbursements sampled included a P-card transaction for which a supporting receipt was not provided.

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. Also, commingled personal and Intermediate Service Center No. 2 expenditures expose the Intermediate Service Center No. 2 to potential liability for any personal charges made on the account.

Cause

The Intermediate Service Center No. 2 management indicated personal expenses were mistakenly charged by two separate staff members using P-Cards instead of their personal credit cards. In addition, a statement and charge receipt were misplaced and could not be found.

FINDING NO. 2017-003 – Inadequate Controls Over Procurement-Card Transactions (Continued)
(Partially repeated from Finding 16-003, 15-003 and 14-004)

Recommendation

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

Management Response

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.

FINDING NO. 2017-004 – Inadequate Controls Over Payroll

Criteria/Specific Requirements

Employee contracts should be signed by the Executive Director or Assistant Executive Director pursuant to Intermediate Service Center No. 2 policy and documentation supporting position changes for employees should be maintained.

Condition

During testing of payroll controls for a sample of 40 Intermediate Service Center No. 2 employees, we noted the following:

- One employee's contract tested did not have the signature of either the Executive Director or Assistant Executive Director.
- For one employee whose position and salary changed, a salary/position change form was not available.

Effect

Without approved documentation supporting employee pay rates and changes thereto, improper or erroneous amounts could be paid to employees without detection.

Cause

The Intermediate Service Center No. 2 management indicated that they do not know why a signed contract and salary/position change form were not able to be located. Management indicated this could have been due to filing errors.

Recommendation

We recommend the Intermediate Service Center No. 2 enhance internal control procedures to ensure an appropriate review and approval process is in place over contracts and salary/position changes.

Management Response

Currently (FY21) all hires and changes in salary/position are approved in writing by the Executive Director or Assistant Executive Director.

FINDING NO. 2017-005 – Lack of Adequate Controls Over the Review of Internal Controls Over External Service Providers

Criteria/Specific Requirements

Intermediate Service Center No. 2 is responsible for the design, implementation, and maintenance of internal controls, including the controls that are outsourced to service providers, related to information systems and operations to ensure resources and data are adequately protected from unauthorized or accidental disclosure, modifications, or destruction.

Generally accepted information technology guidance endorses the review and assessment of internal controls related to information systems and operations to assure the accurate processing and security of information.

Condition

As part of the audit process, we requested the Intermediate Service Center No. 2 provide a population of the service providers utilized. The Intermediate Service Center No. 2 was able to identify service providers that provided various hosting and backup services.

During testing, the auditors noted the Intermediate Service Center No. 2 had not:

- Developed a formal process for identifying service providers and obtaining the Service Organization Controls (SOC) reports from the service providers on an annual basis.
- Documented its review of each of the SOC reports.
- Monitored and documented the operations of the Complementary User Entity Controls (CUECs) relevant to the Intermediate Service Center No. 2's operations.
- Obtained and reviewed SOC reports for subservice organizations or performed alternative procedures to determine the impact on its internal control environment.

Effect

Without having obtained and reviewed a SOC report or another form of independent internal controls review, the Intermediate Service Center No. 2 does not have assurance the external service provider's and its subservice organization's internal controls are adequate.

Cause

Intermediate Service Center No. 2 management indicated staff lacked knowledge that a good internal control system included having controls in place to ensure the accuracy of what external service providers are providing and to ensure that the controls of external service providers are sufficient to perform the service(s) for the organization.

FINDING NO. 2017-005 – Lack of Adequate Controls Over the Review of Internal Controls Over External Service Providers (Continued)

Recommendation

We recommend the Intermediate Service Center No. 2 identify all third-party service providers and determine and document if a review of controls is required. If required, the Intermediate Service Center No. 2 should:

- Obtain SOC reports or (perform independent reviews) of internal controls associated with outsourced systems at least annually.
- Monitor and document the operation of the CUECs relevant to the Intermediate Service Center No. 2 operations.
- Either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact its own internal control environment.
- Document its review of the SOC reports and review all significant issues with subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the Intermediate Service Center No. 2, and any compensating controls.
- Review contracts with service providers to ensure applicable requirements over the independent review of internal controls are included.

Management Response

We have made contact with another Regional Office of Education to receive training and documentation regarding controls over the review of internal controls over external service providers.

FINDING NO. 2017-006 – Lack of Controls Over Illinois Municipal Retirement Fund (IMRF) Census Data

Criteria/Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. Management of cost-sharing and agent employer plans are also responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework, including completeness and accuracy of census data. Although an outside actuary is involved in the calculation of the net pension liability, the actuary relies on census data, the accuracy of which is the responsibility of Intermediate Service Center No. 2.

Condition

During testing of the IMRF net pension liability, we noted the actuarially determined pension report had census data that could not be confirmed as reasonably accurate. Specifically, we noted:

- A decrease in the number of retirees and beneficiaries receiving benefits (annuitant) from the December 31, 2015 actuarial valuation to the December 31, 2016 actuarial valuation from 28 to 12.
- 4 of 12 annuitants listed on the census data provided to the actuary were never employees of Intermediate Service Center No. 2.

Effect

Without effective internal controls in place over pension related census data, pension related balances for the IMRF Plan could be materially misstated. Inadequate census data could also alter the amount of pension contributions required to be deposited on a monthly basis due to erroneous pension assets/liabilities.

Cause

Intermediate Service Center No. 2 management indicated that in 2013, IMRF approved Intermediate Service Center No. 2 to be an IMRF agent whereas District 106 was previously the administrative agent that encompassed Intermediate Service Center No. 2. At this time, a number of individuals who were never Intermediate Service Center No. 2 employees were erroneously transferred to Intermediate Service Center No. 2's new account. However, management indicated that the error was corrected. It is likely this resulted in additional individuals being erroneously included in Intermediate Service Center No. 2's census data.

FINDING NO. 2017-006 – Lack of Controls Over Illinois Municipal Retirement Fund (IMRF) Census Data (Continued)

Recommendation

We recommend Intermediate Service Center No. 2 work with IMRF to determine the cause of the discrepencies and establish appropriate review procedures over the actuarial valuations and supporting census data.

Management Response

Since this error was detected in 2017, we have been requesting that IMRF make the corrections. We will continue to work with IMRF to ensure that their records are correct and that their previous error does not skew our current actuarial valuations.

INTERMEDIATE SERVICE CENTER NO. 2
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2017

FINDING NO. 2017-001 –Delay of Audit
(Repeated from Finding 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, 2017 deadline.

Corrective Action Plan

Intermediate Service Center No. 2 has worked with a contracted accountant over the past five years who has experience with ROE/ISC audits and knows the requirements to have reports available in a timely manner moving forward. Intermediate Service Center No. 2 also hired a Chief School Business Official who will start work in July, 2021 to address this issue.

Anticipated Date of Completion

August 31, 2021

Name of Contact Person

Christi Tyler, Chief School Business Official

FINDING NO. 2017-002 –Inadequate Internal Control Procedures (Partially repeated from Findings 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:

- 1 out of 12 journal entries sampled during audit testing lacked supporting documentation and 1 lacked supervisory approval.
- 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.
- A prior period error was not detected on a timely basis. In fiscal year 2017, the ISC restated its beginning fund balances in the General Fund ($202,897 reduction) and Institute Fund ($202,897 increase).
- Rent payments on a facility lease were overpaid by $13,631 based on an outdated lease agreement. The ISC continued to make payments based on the original lease agreement rather than the amended agreement which had a lower monthly rent.
- 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 receivable balances. Additionally, there is no formal process for reviewing outstanding receivables.
- There is a lack of controls over equipment inventory. The ISC has a detailed listing of capital assets costing over $1,500 and acquired after 2015, however no details of assets acquired prior to that time were available nor are annual physical inventories taken.

Corrective Action Plan

Intermediate Service Center No. 2 will implement or has implemented the following:

- All journal entries will be supported by appropriate documentation and have evidence of supervisory review.
- Since the original finding regarding reclassifications, we have been training staff to provide accurate account coding to minimize the number of journal entries needed.
- Financial reports will be thoroughly reviewed prior to issuance.
- Disbursements will be reviewed for accuracy and supported by proper documentation.
- Accounting functions will be segregated and a formal process for reviewing outstanding receivables implemented.
- Capital asset inventories will be taken on an annual basis and detailed records maintained.

FINDING NO. 2017-002 –Inadequate Internal Control Procedures (Continued)
(Partially repeated from Findings 16-001, 15-001, 14-001, 13-001 and 12-1)

Anticipated Date of Completion

July 31, 2022

Name of Contact Person

Christi Tyler, Chief School Business Official

FINDING NO. 2017-003 – Inadequate Controls Over Procurement-Card Transactions (Partially repeated from Finding 16-003, 15-003 and 14-004)

Condition

Internal controls over disbursements are not effectively designed and implemented. During our testing of procurement-card (P-card) transactions, the auditors noted the following:

- Personal expenses were charged by two employees on Intermediate Service Center No. 2's P-card. These expenses were paid back in full by the employees with personal checks written to the credit card company. The Intermediate Service Center No. 2 maintained copies of the personal checks and the related charge receipts with the credit card statements. Personal expenses charged within the transactions tested totaled $772.
- 1 out of 40 (2.5%) credit card statements sampled was not available although a supporting receipt was provided.

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 1, 2018

Name of Contact Person

Dr. Michael Popp, Assistant Executive Director

INTERMEDIATE SERVICE CENTER NO. 2
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2017

FINDING NO. 2017-004 – Inadequate Controls Over Payroll

Condition

During testing of payroll controls for a sample of 40 Intermediate Service Center No. 2 employees, we noted the following:

- One employee's contract tested did not have the signature of either the Executive Director or Assistant Executive Director.
- For one employee whose position and salary changed, a salary/position change form was not available.

Corrective Action Plan

Intermediate Service Center No. 2 will ensure that all hires and changes in salary/position are approved in writing by the Executive Director or Assistant Executive Director.

Anticipated Date of Completion

July 1, 2018

Name of Contact Person

Dr. Michael Popp, Assistant Executive Director

INTERMEDIATE SERVICE CENTER NO. 2
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2017

FINDING NO. 2017-005 – Lack of Adequate Controls Over the Review of Internal Controls Over External Service Providers

Condition

As part of the audit process, we requested the Intermediate Service Center No. 2 provide a population of the service providers utilized. The Intermediate Service Center No. 2 was able to identify service providers that provided various hosting and backup services.

During testing, the auditors noted the Intermediate Service Center No. 2 had not:

- Developed a formal process for identifying service providers and obtaining the Service Organization Controls (SOC) reports from the service providers on an annual basis.
- Documented its review of each of the SOC reports.
- Monitored and documented the operations of the Complementary User Entity Controls (CUECs) relevant to the Intermediate Service Center No. 2's operations.
- Obtained and reviewed SOC reports for subservice organizations or performed alternative procedures to determine the impact on its internal control environment.

Corrective Action Plan

Intermediate Service Center No. 2 has made contact with another Regional Office of Education to receive training and documentation regarding controls over the review of internal controls over external service providers.

Anticipated Date of Completion

December 31, 2021

Name of Contact Person

Christi Tyler, Chief School Business Official

FINDING NO. 2017-006 – Lack of Controls Over Illinois Municipal Retirement Fund (IMRF) Census Data

Condition

During testing of the IMRF net pension liability, we noted the actuarially determined pension report had census data that could not be confirmed as reasonably accurate. Specifically, we noted:

- A decrease in the number of retirees and beneficiaries receiving benefits (annuitant) from the December 31, 2015 actuarial valuation to the December 31, 2016 actuarial valuation from 28 to 12.
- 4 of 12 annuitants listed on the census data provided to the actuary were never employees of Intermediate Service Center No. 2.

Corrective Action Plan

Intermediate Service Center No. 2 will continue to work with IMRF to ensure that their records are correct and that their previous error does not skew the current actuarial valuations.

Anticipated Date of Completion

July 31, 2022

Name of Contact Person

Christi Tyler, Chief School Business Official

INTERMEDIATE SERVICE CENTER NO. 2

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS NOT REPEATED

For the Year Ended June 30, 2017

2016-002	Use of Designated Grant Balances. In the current year, Intermediate Service Center No. 2 grant revenues were received on a reimbursement basis. As a result, restricted grants were not used to cover deficit cash balances	Not Repeated
2016-005	Salary and Benefits Not Supported by Proper Time and Effort Documentation In the current year, while Title I was not audited as a major program since a single audit was not required, it appears time and effort reports included 100% of the employees' time.	Not Repeated
2016-006	Noncompliance with Grant Requirements In the current year, while Title I was not audited as a major program since a single audit was not required, it does not appear that expenditures were reported in the wrong grant period based on other audit procedures.	Not Repeated

BASIC FINANCIAL STATEMENTS

INTERMEDIATE SERVICE CENTER NO. 2 **EXHIBIT A**
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government
	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 28,131
Due from other governmental agencies	1,102,259
Total current assets	1,130,390
Noncurrent assets	
Capital assets, net	31,159
TOTAL ASSETS	1,161,549
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	1,032,715
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	53,691
Due to other governmental agencies	1,320,184
Unearned revenue	9,799
Total current liabilities	1,383,674
Noncurrent liabilities	
Compensated absences	138,699
Net pension liability	3,031,895
Total noncurrent liabilities	3,170,594
TOTAL LIABILITIES	4,554,268
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,852,084
NET POSITION	
Net investment in capital assets	31,159
Restricted for educational purposes	201,739
Unrestricted	(4,444,986)
TOTAL NET POSITION	$ (4,212,088)

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

INTERMEDIATE SERVICE CENTER NO. 2 **EXHIBIT B**
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
				Primary Government
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS				
Primary government				
Governmental activities:				
Instructional services				
Salaries	$ 4,733,290	$ 831,935	$ 3,813,255	$ (88,100)
Benefits	872,236	154,697	709,010	(8,529)
Purchased services	1,467,607	260,291	1,203,613	(3,703)
Supplies and materials	464,526	82,387	382,137	(2)
Depreciation expense	6,894	-	-	(6,894)
Capital expenditures	38,703	8,335	38,692	8,324
Pension benefit	(488,900)	-	-	488,900
Intergovernmental				
Payments to other governments	305,787	54,233	251,780	226
Administrative				
On-behalf payments	2,681,074	-	-	(2,681,074)
Total governmental activities	$ 10,081,217	$ 1,391,878	$ 6,398,487	(2,290,852)
General revenues:				
Local sources				222,979
Gain on disposal of assets				1,550
On-behalf payments				2,681,074
Total general revenues				2,905,603
Change in net position				614,751
Net position - beginning of year				(4,826,839)
Net position - end of year				$ (4,212,088)

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

INTERMEDIATE SERVICE CENTER NO. 2
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

EXHIBIT C

	General Fund	Education Fund	Institute	Eliminations	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ -	$ -	$ 28,131	$ -	$ 28,131
Due from other governmental agencies	474,417	627,842	-	-	1,102,259
Due from other funds	411,417	-	173,608	(585,025)	-
TOTAL ASSETS	885,834	627,842	201,739	(585,025)	1,130,390
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	32,740	20,951	-	-	53,691
Due to other governmental agencies	1,320,184	-	-	-	1,320,184
Due to other funds	-	585,025	-	(585,025)	-
Unearned revenue	-	9,799	-	-	9,799
Total liabilities	1,352,924	615,775	-	(585,025)	1,383,674
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	114,407	322,978	-	-	437,385
FUND BALANCES (DEFICIT)					
Restricted	-	-	201,739	-	201,739
Unassigned	(581,497)	(310,911)	-	-	(892,408)
Total fund balances (deficit)	(581,497)	(310,911)	201,739	-	(690,669)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 885,834	$ 627,842	$ 201,739	$ (585,025)	$ 1,130,390

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

INTERMEDIATE SERVICE CENTER NO. 2 **EXHIBIT D**
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances (deficit) - governmental funds		$ (690,669)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in the governmental activities are not financial resources and therefore, are not reported in the funds.		31,159
Some revenues will not be collected for several months after the fiscal year ends; they are not considered "available" revenues and are deferred in the governmental funds.		437,385
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources	$ 1,032,715	
Deferred inflows of resources	(1,852,084)	(819,369)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences	(138,699)	
TRS net pension liability	(1,505,690)	
IMRF net pension liability	(1,526,205)	(3,170,594)
Net position of governmental activities		$ (4,212,088)

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

INTERMEDIATE SERVICE CENTER NO. 2 **EXHIBIT E**
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Education Fund	Institute	Total Governmental Funds
REVENUES				
Federal sources	$ -	$ 751,065	$ -	$ 751,065
State sources	4,734,539	720,031	-	5,454,570
Local sources	1,376,939	16,380	221,538	1,614,857
On-behalf payments	21,068	-	-	21,068
Total revenues	6,132,546	1,487,476	221,538	7,841,560
EXPENDITURES				
Instructional services:				
Salaries	3,660,109	971,080	59,535	4,690,724
Benefits	747,178	113,913	11,145	872,236
Pension expense	477,433	112,297	11,202	600,932
Purchased services	1,077,435	384,353	5,819	1,467,607
Supplies and materials	297,623	166,483	420	464,526
On-behalf payments	21,068	-	-	21,068
Intergovernmental:				
Payments to other governments	305,787	-	-	305,787
Capital expenditures	46,994	-	-	46,994
Total expenditures	6,633,627	1,748,126	88,121	8,469,874
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(501,081)	(260,650)	133,417	(628,314)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(1,828)	1,828	-	-
NET CHANGE IN FUND BALANCES	(502,909)	(258,822)	133,417	(628,314)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR (RESTATED, SEE NOTE 13)	(78,588)	(52,089)	68,322	(62,355)
FUND BALANCES (DEFICIT), END OF YEAR	$ (581,497)	$ (310,911)	$ 201,739	$ (690,669)

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

INTERMEDIATE SERVICE CENTER NO. 2 **EXHIBIT F**
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances		$ (628,314)
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 expenditures	$ 8,291	
Gain on sale	1,550	
Depreciation expense	(6,894)	2,947
Revenues reported in the Statement of Activities in the prior year that did not provide current financial resources and is now reported as revenues in the governmental funds.		(244,533)
Some revenues will not be collected for several months after the Intermediate Service Center's fiscal year ends; they are considered "unavailable" revenues and are deferred inflows of resources in the governmental funds.		
Current year unavailable revenue		437,385
Accrued payroll and benefits costs which reflect the amount of vacation pay that has been earned by the Intermediate Service Center No. 2's employees in prior years and was paid in the current year, but is not reported in the governmental funds.		(42,566)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Pension contributions	600,932	
Cost of benefits earned, net	488,900	1,089,832
Change in net position of governmental activities		$ 614,751

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

NOTE 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 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.

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.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Center.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues. Under the terms of the grant agreements, the Center funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is the policy of the Center to first apply restricted fund balances, then unrestricted. For unrestricted fund balances, committed fund balances are used first, then assigned fund balances, then unassigned if any.

The Statement of Net Position presents the Center's nonfiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. The net position is reported in three categories:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for any debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted Net Position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Measurement Focus and Basis of Presentation

The accounts of the Center are organized and operated on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in individual funds as required by the State of Illinois based upon the purposes for which they are spent and the means by which spending activities are controlled.

Governmental Funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds.

Fund balance is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in a Governmental Fund. The following types of fund balances may be presented in the Governmental Funds Balance Sheet:

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.

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.

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 following programs comprise assigned fund balances: ALOP, and West Cook Math Initiative.

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 balance includes the following funds: Local Sources, General State Aid/RSSP Tuition, Fingerprinting, Non-Public School Compliance Services, Response to Intervention, Technology for Success, State Free Lunch and Breakfast, School Breakfast Program, National School Lunch Program, RSSP, Truants Alternative & Optional Education Program, Title I – School Improvement and Accountability, and Pilot Regional Safe School Cooperative Education Program.

The Center reports the following major governmental funds:

General Fund - 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:

Local Sources - These are revenues and expenditures associated with workshops conducted by the Center and tuition monies for teachers.

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.

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.

School Improvement Grants (SIG) Monitoring - The Center has been contracted by ISBE to provide personnel suitable to assist the State in meeting federal and State monitoring and federal and State data collection, data analysis, and data reporting requirements for the School Improvement Grants 1003(g) and Fiscal Agent grants under the Statewide System of Support.

ACT Now! - The Center has been contracted by ISBE to provide personnel suitable to assist with professional development, technical support, and resources for the implementation of After School Standards.

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

The Education Fund - This Fund is used to account for and report proceeds of specific revenue sources that are restricted by grant requirements or contracts to expenditures 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:

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

Response to Intervention - Contributes to the improvement of instruction for students with disabilities and to the prevention of inappropriate identification of specific learning disabilities.

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 Center 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.

Truants Alternative & Optional Education Program - 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 Program - 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.

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.

Reclassifications

Certain items in the June 30, 2016 comparative information have been reclassified to conform to the current presentation.

Basis of Accounting

The government-wide 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 related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Revenues received more than 60 days after the end of the current period are deferred inflows of resources in the governmental fund financial statements, but are recognized as current revenues in the government-wide financial statements.

The Center records on-behalf payments made by the State to the Teachers' Retirement System and Teacher Health Insurance Security Fund as revenue and expenditures. The modified accrual basis of accounting is followed by the Governmental funds, which is in conformity with the Illinois Program Accounting Manual for Local Education Agencies and accounting principles generally accepted in the United States of America. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is, when they become both "measurable" and "available" to finance expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. As a general rule, the effect of interfund activities has been eliminated in the government-wide financial statements.

Estimates

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

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 & Optional Education Program
  - Title II - Teacher Quality - Leadership Grant
  - Title I - School Improvement and Accountability
  - Pilot Regional Safe School Cooperative Education Program

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.

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 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, no interest was credited to the Center.

	Carrying Amount	Bank Balance
Equity in pooled cash and investments of Lyons Township School Treasurer	$ (1,094,026)	$ (1,094,026)

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

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, 2017.

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.

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, 2017, the Treasurer's investments subject to credit risk were rated as followed:

Investments	Moody's Investor Service	Standard & Poor
Federal Home Loan Bank (FHLB) - U.S. Agency implicitly 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
Freddie Mac - U.S. Agency explicitly guaranteed	Aaa	Not available
Government National Mortgage Association (GNMA) - U.S. Agency explicitly guaranteed	Not available	Not available
Corporate bonds*	A2 - Aa2	A-1 - A+
Municipal bonds	Aaa - A1	AAA - A

* Credit risk ratings were not available for certain corporate 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, 2017, 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, 2017, there were no investments exposed to custodial credit risk.

Capital Assets

Capital assets used in governmental fund types are recorded in the government-wide financial statements at a cost or estimated historical cost if purchased or constructed. The Center capitalizes those fixed assets with a cost of $1,500 or more. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. All capital assets are being depreciated using the straight-line method over the following useful life:

Equipment & Leasehold Improvements	7 years

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

The governmental activities capital assets activities for the year ended June 30, 2017 follow:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Equipment	$ 69,669	$ 9,841	$ (22,913)	$ 56,597
Less: accumulated depreciation	(41,457)	(6,894)	22,913	(25,438)
Capital assets, net	$ 28,212	$ 2,947	$ –	$ 31,159

Depreciation expense for the year ended June 30, 2017 totaling $6,894 was charged to governmental activities under the instructional services function.

Compensated Absences

The Center's 12-month, regular, full-time employees earn vacation on a quarterly basis accruing to 20 days per year. The Executive Director determines the number of days that may be carried over from year to year. For the year ended June 30, 2017, the Executive Director granted up to ten days of vacation leave that could carry over to the next fiscal year to be used in the first quarter of the year which totaled $138,699 as of year end and thus, a liability has been accrued.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources - Deferred outflows of resources present a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources are reported in the governmental fund financial statements as unavailable revenue and represent the amount of assets that have been recognized but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of grant receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of components of the net pension liability that will reduce pension expense in future years.

NOTE 2 - CASH AND CASH EQUIVALENTS

Deposits. At June 30, 2017, the carrying amounts of the Center's government-wide fund deposits were $28,131 and the bank balances were $28,131. Of the total bank balances as of June 30, 2017, $1,000 was secured by FDIC and $27,131 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, 2017, 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, 2017, the Center had investments totaling $27,131 in the Illinois Funds Money Market Fund.

Credit Risk. At June 30, 2017, 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 provision of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

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 an investment option with a competitive rate of return on fully collateralized investments and immediate access to the 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 (TRS)

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 nonannuitants 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/cafrs/fy2016; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling 888-678-3675, option 2.

Benefits Provided

TRS provides retirement, disability, and death benefits. Tier I members have TRS or reciprocal system service prior to January 1, 2011. Tier I 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 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. Disability and death benefits are also provided.

Tier II 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 last four. Disability provisions for Tier II are identical to those of Tier I. Death benefits are payable under a formula that is different from Tier I.

Essentially all Tier I 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 II 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.

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 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, 2016, was 9.4 percent of creditable earnings. On July 1, 2016, the rate dropped to 9.0 percent of pay due to the expiration of the Early Retirement Option (ERO). The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the Center through La Grange South School District No. 105.

On behalf contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the Center. For the year ended June 30, 2017, 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 revenue and expenditures of $2,660,006 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, 2017, were $10,910 and are deferred because they were paid after the June 30, 2016 measurement date.

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 a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2017, the employer pension contribution was 38.54 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2017, salaries totaling

$195,518 were paid from federal and special trust funds that required employer contributions of $75,353. These contributions are deferred because they were paid after the June 30, 2016 measurement date.

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 retiring under the ERO. The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the program that ended on June 30, 2016 is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2017, the Center paid $0 to TRS for employer ERO contributions for retirements that occurred before July 1, 2016.

The Center is also 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, 2017, the Center paid $0 to TRS for employer contributions due on salary increases in excess of 6 percent and $0 for sick leave days granted in excess of the normal annual allotment.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Center reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for State pension support provided to the Center. The State's support and total are for disclosure purposes only. The amount recognized by the Center as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the employer were as follows:

Center's proportionate share of the net pension liability	$	1,505,690
State's proportionate share of the net pension liability associated with the employer		27,085,961
Total	$	28,591,651

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, and rolled forward to June 30, 2016. The Center's proportion of the net pension liability was based on the Center's share of contributions to TRS for the measurement year ended June 30, 2016, relative to the contributions of all participating TRS employers and the State during that period. At June 30, 2016, the Center's proportion was 0.00191 percent, which was an increase of 0.00022 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Center recognized pension expense of $2,660,006 and revenue of $2,660,006 for support provided by the State. For the year ended June 30, 2017, the Center recognized pension expense (benefit) of ($167,963). At June 30, 2017, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,133	$ 1,021
Net difference between projected and actual earnings on pension plan investments	42,539	–
Changes of assumptions	129,316	–
Changes in proportion and differences between the Center contributions and proportionate share of contributions	482,955	33,521
Center contributions subsequent to the measurement date	86,263	–
Total	$ 752,206	$ 34,542

$86,263 reported as deferred outflows of resources related to pensions resulting from Center's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows in these reporting years:

Year Ended June 30:	Net Deferred Outflows of Resource
2018	$ 141,627
2019	141,627
2020	168,927
2021	150,421
2022	28,799
Total	$ 631,401

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	varies by amount of service credit
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014.

For the June 30, 2016 valuation, the investment return assumption was lowered from 7.50 percent to 7.0 percent. Salary increase assumptions were lowered from their 2015 levels. Other assumptions were based on the 2015 experience analysis which increased retirement rates, improved mortality assumptions and made other changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class that were used by the actuary are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities large cap	14.4%	6.94%
U.S. equities small/mid cap	3.6	8.09
International equities developed	14.4	7.46
Emerging market equities	3.6	10.15
U.S. bonds core	10.7	2.44
International debt developed	5.3	1.70
Real estate	15.0	5.44
Commodities (real return)	11.0	4.28
Hedge funds (absolute return)	8.0	4.16
Private equity	14.0	10.63
Total	100.0%	

Discount Rate

At June 30, 2016, the discount rate used to measure the total pension liability was a blended rate of 6.83 percent, which was a change from the June 30, 2015 rate of 7.47 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and State contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position at June 30, 2016 was not projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I's liability is partially-funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Despite the subsidy, all projected future payments were not covered, so a slightly lower long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

This rate was determined by incorporating the long-term expected rate of return on pension plan investments and the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date to calculate a blended rate. The municipal bond rate for 2016 was 2.85% which is a reduction from the 3.73% rate used in 2015.

At June 30, 2015, the discount rate used to measure the total pension liability was 7.47 percent. The discount rate was lower than the actuarially-assumed rate of return on investments that year as well because TRS's fiduciary net position and the subsidy provided by Tier II were not sufficient to cover all projected benefit payments.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Center's proportionate share of the net pension liability calculated using the discount rate of 6.83 percent, as well as what the Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.83 percent) or 1-percentage-point higher (7.83 percent) than the current rate.

	1% Decrease (5.83%)	Current Discount Rate (6.83%)	1% Increase (7.83%)
Center's proportionate share of the net pension liability	$ 1,841,520	$ 1,505,690	$ 1,231,406

TRS Fiduciary Net Position

Detailed information about the TRS's fiduciary net position as of June 30, 2016 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

Illinois Municipal Retirement Fund (IMRF)

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), the administrator of an agent multi-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 Comprehensive Annual 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 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, 2016, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries currently receiving benefits	12
Inactive Plan Member entitled to but not yet receiving benefits	54
Active Plan Members	60
Total	126

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 for calendar year 2016 was 22.62%. For the fiscal year ended 2017, the Center contributed $514,669 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.

Net Pension Liability

The Center's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.

- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation according to an experience study of the period 2011 to 2013.
- The IMRF specific rates for **Mortality** (non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2016:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	6.85%
International Equity	17%	6.75%
Fixed Income	27%	3.00%
Real Estate	8%	5.75%
Alternative Investments	9%	2.65-7.35%
Cash Equivalents	1%	2.25%
Total	100%	

Single Discount Rate

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and

2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.50%.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) – (B)
Balances as of December 31, 2015	$ 8,525,260	$ 5,009,840	$ 3,515,420
Changes for the year:			
Service cost	235,723	–	235,723
Interest on the total pension liability	633,484	–	633,484
Changes of benefit terms	–	–	–
Differences between expected and actual experience of the total pension liability	(806,985)	–	(806,985)
Changes of assumptions	–	–	–
Contributions - employer	–	554,373	(554,373)
Contributions - employees	–	177,118	(177,118)
Net investment income	–	1,319,890	(1,319,890)
Benefit payment, including refunds of employee contributions	(390,590)	(390,590)	–
Other (net transfer)	–	56	(56)
Net Changes	(328,368)	1,660,847	(1,989,215)
Balances as of December 31, 2016	$ 8,196,892	$ 6,670,687	$ 1,526,205

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower 6.50%	Current Discount 7.50%	1% Higher 8.50%
Net Pension Liability	$ 2,664,909	$ 1,526,205	$ 594,534

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the Center recognized pension expense (benefit) of ($320,937). At June 30, 2017, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Deferred amounts to be recognized in pension expense in future periods		
Difference between expected and actual experience	$ 8,542	$ 630,507
Changes in assumptions	35,491	–
Net difference between projected and actual earnings on pension plan investments	–	1,187,035
Total deferred amounts to be recognized in pension expense in future periods	44,033	1,817,542
Pension contributions made subsequent to the measurement date	236,476	–
Total deferred amounts related to pension	$ 280,509	$ 1,817,542

$236,476 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending December 31		Net Deferred Inflows of Resources
2017	$	(589,195)
2018		(628,437)
2019		(387,152)
2020		(168,725)
Thereafter		–
Total	$	(1,773,509)

NOTE 5 - OTHER POST EMPLOYMENT BENEFITS

Teachers' Health Insurance Security Fund

The Center participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the TRS. Annuitants not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in a Medicare Advantage plan.

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 the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the State to make a contribution to the THIS Fund.

The 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.

On behalf contributions to the THIS Fund. The State of Illinois makes employer retiree health insurance contributions on behalf of the Center. State contributions are intended to match contributions to the THIS Fund from active members which were 1.12 percent of pay during the year ended June 30, 2017. State of Illinois contributions were $21,068, and the Center recognized revenue and expenditures of this amount during the year. State contributions intended to match active member contributions during the years ended June 30, 2016 and June 30, 2015 were 1.07 and 1.02 percent of pay, respectively. State contributions on behalf of the Center employees were $15,797 and $11,619, respectively.

Center contributions to the THIS Fund. The Center also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.84 percent during the year ended June 30, 2017, and 0.80 and 0.76 percent during the years ended June 30, 2016 and June 30, 2015, respectively. For the year ended June 30, 2017, the Center paid $15,801 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2016 and June 30, 2015, the Center paid $12,451 and $9,846 the THIS Fund, respectively, which was 100% 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" (http://www.auditor.illinois.gov/Audit-Reports/CMS-THISF.asp). Prior reports are available under "Healthcare and Family Services" (http://www.auditor.illinois.gov/Audit-Reports/HEALTHCARE-FAMILY-SERVICES-Teacher-Health-Ins-Sec-Fund.asp).

The Center has evaluated its potential other postemployment benefits liability. The Center provides continued health insurance coverage at the active employer rate to all eligible employees in accordance with Illinois statutes, which creates an implicit subsidy of retiree health insurance. Former employees who choose to retain their rights to health insurance through the Center are required to pay 100% of the current premium. However, only one former employee has chosen to stay in the Center's current health insurance plan. Therefore, there has been low utilization and, therefore, an immaterial implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Additionally, the Center has no former employees for whom the Center was providing an explicit subsidy and no employees with agreements for future explicit subsidies upon retirement. Therefore, the Center has not recorded any postemployment benefit liability as of June 30, 2017.

NOTE 6 - ON-BEHALF CONTRIBUTIONS

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

Teachers' Health Insurance Security	$	21,068

This amount has been recorded in the accompanying financial statements as State revenue and expenditures in the General Fund.

The Center also recorded $2,660,006 in revenue and expenses as on-behalf payment from ISBE for the Center's share of the State's TRS pension expense in the Statement of Activities.

State of Illinois on-behalf payments	$	21,068
Center's share of TRS pension expense		2,660,006
Total	$	2,681,074

NOTE 7 - INTERFUND TRANSFERS

(a) Due From (To) Other Funds

As of June 30, 2017, amounts due from (to) other funds consist of the following:

Fund	Due From Other Funds	Due To Other Funds
General Fund	$ 411,417	$ –
Education Fund		585,025
Institute Fund	173,608	–
Total	$ 585,025	$ 585,025

The amount due from and to the funds resulted from interfund borrowing to cover short-term cash deficit.

(b) Transfers From (To) Other Funds

The composition of interfund transfers during FY 2017 is as follows:

Fund	Transfer-in	Transfer-out
General Fund	$ –	$ 1,828
Education Fund	1,828	–
Total	$ 1,828	$ 1,828

In FY 2017, the Center made interfund transfers to finance various operating expenditures accounted for in Education Fund.

NOTE 8 - DUE FROM/TO OTHER GOVERNMENTS

The Center's General Fund and Education Fund have funds due to and due from various other governmental units which consist of the following:

Due from Other Governmental Agencies:	
Illinois State Board of Education	$ 829,559
Others	272,700
Total	$ 1,102,259

Due to Other Governmental Agencies:		
Lyon's Township Treasurer	$	1,094,026
Local school districts		223,762
Others		2,396
Total	$	1,320,184

NOTE 9 - NON-CANCELABLE OPERATING 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. Lease expense for the year ended June 30, 2017, amounted to $127,836.

Minimum future rental payments under the non-cancelable lease for the years subsequent to June 30, 2017 are as follows:

Year Ended June 30	Amount
2018	$120,698

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 on 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. Lease expense for the year ended June 30, 2017, amounted to $101,658.

Minimum future rental payments under the non-cancelable lease for the years subsequent to June 30, 2017 are as follows:

Year Ended June 30	Amount
2018	$ 101,658
2019	101,658
2020	104,708
2021	107,849
2022	111,083
Total	$ 526,956

NOTE 10 - LONG-TERM LIABILITIES

Noncurrent liabilities activities for the year ended June 30, 2017, were as follows:

	Balance 6/30/16	**Additions**	**Deletions**	**Balance 6/30/17**
Accrued compensated absences	$ 96,133	$ 42,566	$ -	$ 138,699
Net pension liability - TRS	1,105,701	399,989	-	1,505,690
Net pension liability - IMRF	3,515,420	-	1,989,215	1,526,205
Total net pension liability	4,621,121	399,989	1,989,215	3,031,895
Total noncurrent liabilities	$ 4,717,254	$ 442,555	$ 1,989,215	$ 3,170,594

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS

The Center adopted the provisions of GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, No. 80, *Blending Requirements for Certain Component Units-an Amendment to GASB Statement No. 14*, and No. 82, *Pension Issues-an Amendment of GASB Statements No. 67, No. 68, and No. 73* during the fiscal year ended June 30, 2017. GASB Statement No. 74 seeks to improve the usefulness of information about postemployment benefits other than pensions. GASB Statement No. 77 requires the Center to disclose information about the nature and magnitude of tax abatements. GASB Statement No. 78 amends the scope and applicability of Statement 68 to exclude certain pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that is not a state or local governmental pension plan. It establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for such pensions. GASB Statement No. 80 seeks to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and amendments to certain provisions of GASB Statements 67 and 68. The impact of adoption of these statements has been deemed to be minimal to the reporting of the Center. In addition, the Center will be required to implement GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, No. 81, *Irrevocable Split-Interest Agreements,* No. 85*, Omnibus 2017*, and No. 86, *Certain Debt Extinguishment Issues* in Fiscal Year 2018. Other than GASB Statement No. 75, the impact of adoption of these statements has been deemed to be minimal to the reporting of the Center.

NOTE 12 - DEFICIT FUND BALANCES

Deficit fund balances at June 30, 2017 are as follows:

General Fund:	$ 581,497
Education Fund:	$ 310,911

The deficits in fund balances are mainly due to late payments of funding from the State and proration to the General State Aid. It is expected that these deficits will continue into the future.

NOTE 13 - RECLASSIFICATION

A prior period adjustment amounting to $202,897 was made to appropriately transfer the fund balance of Comprehensive Educational Services program from the Institute Fund to the General Fund's Local Sources Account as of June 30, 2016. This adjustment had no impact on the Center's overall fund balance. A reconciliation of fund balances reported in prior period financial statements and as restated follows:

	Individual Fund Account	Governmental Funds	
	Local Sources	General Fund	Institute Fund
Fund balance (deficit), beginning, as previously reported	$ (798,810)	$ 124,309	$ (134,575)
Fund balance transfer	(202,897)	(202,897)	202,897
Fund balance (deficit), beginning, as restated	$ (1,001,707)	$ (78,588)	$ 68,322

NOTE 14 - SUBSEQUENT EVENTS

On June 25, 2018, the Center secured a loan from the Community Bank of Oak Park River Forest amounting to $2,500,000. The maturity date of the loan is on June 25, 2020. The interest rate is 4%, and $100,000 of the loan was put into an interest reserve. The loan was paid in full on January 24, 2020. The purpose of the loan is to cover cash shortages in programs caused by a lack of on-time payments of grants from the State for work performed in FY 2017 as well as to have funds to run programs for the first two months of FY 2018 in anticipation that the State would again be behind in payments.

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement will be implemented for fiscal year ended June 30, 2018. The revised requirements establish new financial reporting requirements for State and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a liability for the government's other postemployment benefits.

As a result of the spread of the COVID-19 coronavirus pandemic, economic uncertainties have arisen, which may negatively impact the Center's operations and financial condition. The potential impact and duration of the pandemic is unknown as of the date the financial statements were available to be issued.

The Center has taken aggressive steps to ensure that it can continue to function efficiently whether the staff and students work on-site or virtually. This includes the establishment of remote connectivity and teleworking capability for all Center staff.

REQUIRED SUPPLEMENTARY INFORMATION

INTERMEDIATE SERVICE CENTER NO. 2
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

Schedule of the Employer's Proportionate Share of the Net Pension Liability
Teachers' Retirement System of the State of Illinois†

	FY16*	FY15*	FY14*
Employer's proportion of the net pension liability	0.0019074816%	0.0016878345%	0.0015892687%
Employer's proportionate share of the net pension liability	$ 1,505,690	$ 1,105,701	$ 967,201
State's proportionate share of the net pension liability associated with the employer	27,085,961	44,283,339	35,569,690
Total	$ 28,591,651	$ 45,389,040	$ 36,536,891
Employer's covered payroll	$ 1,644,239	$ 1,295,537	$ 867,564
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	91.6%	85.4%	111.5%
Plan fiduciary net position as a percentage of the total pension liability	36.4%	41.5%	43.0%

*The amounts presented were determined as of the prior fiscal-year end.

Schedule of Employer Contributions
Teachers' Retirement System of the State of Illinois†

	FY17	FY16	FY15	FY14
Statutorily-required contribution	$ 86,263	$ 74,131	$ 59,274	$ 56,704
Contributions in relation to the statutorily-required contribution	86,263	74,131	59,274	56,704
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 1,881,040	$ 1,644,239	$ 1,295,537	$ 867,564
Contributions as a percentage of covered payroll	4.60%	4.50%	4.60%	6.50%

† The information in both schedules will accumulate until a full 10-year trend is presented as required by GASB Statement No. 68.

Notes to Required Supplementary Information

Changes of assumptions

For the 2016 measurement year, the assumed investment rate of return was of 7.0 percent, including an inflation rate of 2.5 percent and a real return of 4.5 percent. Salary increases were assumed to vary by service credit.

For the 2015 measurement year, the assumed investment rate of return was 7.5 percent, including an inflation rate of 3.0 percent and a real return of 4.5 percent. Salary increases were assumed to vary by service credit. Various other changes in assumptions were adopted based on the experience analysis for the three year period ending June 30, 2014.

For the 2014 measurement year, the assumed investment rate of return was also 7.5 percent, including an inflation rate of 3.0 percent and a real return of 4.5 percent. However, salary increases were assumed to vary by age.

INTERMEDIATE SERVICE CENTER NO. 2
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

Schedule of Changes in the Net Pension Liability and Related Ratios
Illinois Municipal Retirement Fund
Last Three Calendar Years

Calendar Year Ended December 31,	2016	2015	2014
Total Pension Liability			
Service cost	$ 235,723	$ 194,196	$ 252,217
Interest on the total pension liability	633,484	597,548	525,303
Changes of benefit terms	–	–	–
Differences between expected and actual experience of the total pension liability	(806,985)	(62,149)	64,720
Changes of assumptions	–	–	268,882
Benefit payments, including refunds of employer contributions	(390,590)	(150,459)	(85,867)
Net Change in Total Pension Liability	(328,368)	579,136	1,025,255
Total Pension Liability - Beginning	8,525,260	7,946,124	6,920,869
Total Pension Liability - Ending (A)	$ 8,196,892	$ 8,525,260	$ 7,946,124
Plan Fiduciary Net Position			
Contributions - Employer	$ 554,373	$ 379,234	$ 165,086
Contributions - Employees	177,118	84,776	77,210
Net investment income	1,319,890	591,351	1,457,672
Benefit payments, including refunds of employee contributions	(390,590)	(150,459)	(85,867)
Other (net transfer)	56	(84,547)	(19,237)
Net Change in Plan Fiduciary Net Position	1,660,847	820,355	1,594,864
Plan Fiduciary Net Position - Beginning	5,009,840	4,189,485	2,594,649
Plan Fiduciary Net Position - Ending (B)	$ 6,670,687	$ 5,009,840	$ 4,189,513
Net Pension Liability (Asset) - Ending (A) - (B)	$ 1,526,205	$ 3,515,420	$ 3,756,611
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.40%	58.80%	52.70%
Covered Payroll	$ 2,450,983	$ 1,771,296	$ 1,605,894
Net Pension Liability as a Percentage of Covered Payroll	62.3%	198.5%	233.9%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

INTERMEDIATE SERVICE CENTER NO. 2
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

Schedule of Employer Contributions
Illinois Municipal Retirement Fund
Last Three Fiscal Years

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2017	$ 514,669	$ 514,669	$ -	$ 2,973,356	17.31%
2016	464,113	464,113	-	2,103,553	22.06%
2015	254,417	254,417	-	1,595,144	15.95%

Notes to Schedule of Contributions

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 Contribution Rate*

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which are six months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2016 Contribution Rates:

Actuarial Cost Method: Aggregate entry age normal

Amortization Method: Level percentage of payroll, closed

Remaining Amortization Period: 27-year closed period

Asset Valuation Method: 5-year smoothed market; 20% corridor

Wage Growth: 3.50%

Price Inflation: 2.75%, approximate; No explicit price inflation assumption is used in this valuation.

Salary Increases: 3.75% to 14.50%, including inflation

Investment Rate of Return: 7.50%

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.

Mortality: RP-2014 Blue Collar Health Annuitant Mortality Table, adjusted to match current IMRF experience. For disabled lives, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes There were no benefit changes during the year.

* Based on Valuation assumptions used in the December 31, 2014 actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

OTHER SUPPLEMENTARY INFORMATION

INTERMEDIATE SERVICE CENTER NO. 2
GENERAL FUND
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2017

SCHEDULE 1

	Local Sources	General State Aid/ RSSP Tuition	ALOP	Fingerprinting
ASSETS				
Cash and cash equivalents	$ -	$ -	$ -	$ -
Due from other governmental agencies	68,741	192,545	154,276	5,555
Due from other funds	-	154,906	1,323,248	9,439
TOTAL ASSETS	68,741	347,451	1,477,524	14,994
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	12,722	3,221	16,077	720
Due to other governmental agencies	1,094,026	-	211,204	1,954
Due to other funds	1,002,772	-	-	-
Total liabilities	2,109,520	3,221	227,281	2,674
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	12,780	5,290	42,982	55
FUND BALANCES (DEFICIT)				
Assigned	-	-	1,207,261	-
Unassigned	(2,053,559)	338,940	-	12,265
Total fund balances (deficit)	(2,053,559)	338,940	1,207,261	12,265
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 68,741	$ 347,451	$ 1,477,524	$ 14,994

INTERMEDIATE SERVICE CENTER NO. 2
GENERAL FUND
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2017

SCHEDULE 1
(CONTINUED)

	Non-Public School Compliance Services	SIG Monitoring	ACT Now!	Total
ASSETS				
Cash and cash equivalents	$ -	$ -	$ -	$ -
Due from other governmental agencies	53,300	-	-	474,417
Due from other funds	-	-	-	1,487,593
TOTAL ASSETS	53,300	-	-	1,962,010
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	-	-	-	32,740
Due to other governmental agencies	13,000	-	-	1,320,184
Due to other funds	73,404	-	-	1,076,176
Total liabilities	86,404	-	-	2,429,100
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	53,300	-	-	114,407
FUND BALANCES (DEFICIT)				
Assigned	-	-	-	1,207,261
Unassigned	(86,404)	-	-	(1,788,758)
Total fund balances (deficit)	(86,404)	-	-	(581,497)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 53,300	$ -	$ -	$ 1,962,010

INTERMEDIATE SERVICE CENTER NO. 2
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE 2

	Local Sources	General State Aid/ RSSP Tuition	ALOP	Fingerprinting
REVENUES				
State sources	$ 12,159	$ 587,485	$ 4,069,502	$ -
Local sources	320,073	800,480	222,979	33,407
On-behalf payments	21,068	-	-	-
Total revenues	353,300	1,387,965	4,292,481	33,407
EXPENDITURES				
Instructional services:				
Salaries	397,981	742,627	2,488,712	17,972
Benefits	72,843	154,581	515,276	1,377
Pension expense	48,936	49,270	379,141	-
Purchased services	604,539	185,040	220,950	12,788
Supplies and materials	237,985	17,895	41,743	-
On-behalf payments	21,068	-	-	-
Intergovernmental:				
Payments to other governments	-	125,000	180,787	-
Capital expenditures	17,034	1,529	24,620	3,811
Total expenditures	1,400,386	1,275,942	3,851,229	35,948
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,047,086)	112,023	441,252	(2,541)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(4,766)	-	-	-
NET CHANGE IN FUND BALANCES	(1,051,852)	112,023	441,252	(2,541)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR (RESTATED, SEE NOTE 13)	(1,001,707)	226,917	766,009	14,806
FUND BALANCES (DEFICIT), END OF YEAR	$ (2,053,559)	$ 338,940	$ 1,207,261	$ 12,265

INTERMEDIATE SERVICE CENTER NO. 2
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE 2
(CONTINUED)

	Non-Public School Compliance Services	SIG Monitoring	ACT Now!	Total
REVENUES				
State sources	$ 56,700	$ 3,944	$ 4,749	$ 4,734,539
Local sources	-	-	-	1,376,939
On-behalf payments	-	-	-	21,068
Total revenues	56,700	3,944	4,749	6,132,546
EXPENDITURES				
Instructional services:				
Salaries	12,817	-	-	3,660,109
Benefits	3,101	-	-	747,178
Pension expense	86	-	-	477,433
Purchased services	42,487	6,882	4,749	1,077,435
Supplies and materials	-	-	-	297,623
On-behalf payments	-	-	-	21,068
Intergovernmental:				
Payments to other governments	-	-	-	305,787
Capital expenditures	-	-	-	46,994
Total expenditures	58,491	6,882	4,749	6,633,627
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,791)	(2,938)	-	(501,081)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	2,938	-	(1,828)
NET CHANGE IN FUND BALANCES	(1,791)	-	-	(502,909)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR (RESTATED, SEE NOTE 13)	(84,613)	-	-	(78,588)
FUND BALANCES (DEFICIT), END OF YEAR	$ (86,404)	$ -	$ -	$ (581,497)

INTERMEDIATE SERVICE CENTER NO. 2
EDUCATION FUND
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2017

SCHEDULE 3

	West Cook Math Initiative	Response to Intervention	Technology for Success	State Free Lunch and Breakfast	School Breakfast Program	National School Lunch Program
ASSETS						
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -
Due from other governmental agencies	5,859	25,195	54,808	307	1,172	1,867
Due from other funds	6,208	-	-	-	-	-
TOTAL ASSETS	12,067	25,195	54,808	307	1,172	1,867
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenses	-	555	-	-	-	-
Due to other funds	-	24,640	54,808	307	1,172	1,867
Unearned revenue	-	-	-	-	-	-
Total liabilities	-	25,195	54,808	307	1,172	1,867
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	-	555	54,808	286	1,172	1,867
FUND BALANCES (DEFICIT)						
Assigned	12,067	-	-	-	-	-
Unassigned	-	(555)	(54,808)	(286)	(1,172)	(1,867)
Total fund balances (deficit)	12,067	(555)	(54,808)	(286)	(1,172)	(1,867)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 12,067	$ 25,195	$ 54,808	$ 307	$ 1,172	$ 1,867

INTERMEDIATE SERVICE CENTER NO. 2
EDUCATION FUND
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2017

SCHEDULE 3
(CONTINUED)

	I.S.C. Operations	RSSP	Truants Alternative & Optional Education Program	Title II - Teacher Quality - Leadership Grant	Title I - School Improvement and Accountability	Pilot Regional Safe School Cooperative Education Program	Total
ASSETS							
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Due from other governmental agencies	-	197,266	147,680	25,418	115,260	53,010	627,842
Due from other funds	-	-	-	-	-	-	6,208
TOTAL ASSETS	-	197,266	147,680	25,418	115,260	53,010	634,050
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued expenses	-	-	3,326	-	17,070	-	20,951
Due to other funds	-	197,266	144,354	25,418	88,391	53,010	591,233
Unearned revenue	-	-	-	-	9,799	-	9,799
Total liabilities	-	197,266	147,680	25,418	115,260	53,010	621,983
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues	-	132,238	73,528	-	5,514	53,010	322,978
FUND BALANCES (DEFICIT)							
Assigned	-	-	-	-	-	-	12,067
Unassigned	-	(132,238)	(73,528)	-	(5,514)	(53,010)	(322,978)
Total fund balances (deficit)	-	(132,238)	(73,528)	-	(5,514)	(53,010)	(310,911)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ -	$ 197,266	$ 147,680	$ 25,418	$ 115,260	$ 53,010	$ 634,050

INTERMEDIATE SERVICE CENTER NO. 2 **SCHEDULE 4**
EDUCATION FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	West Cook Math Initiative	Response to Intervention	Technology for Success	State Free Lunch and Breakfast	School Breakfast Program	National School Lunch Program
REVENUES						
Federal sources	$ -	$ 107,229	$ -	$ -	$ 10,447	$ 17,020
State sources	-	-	109,825	132	-	-
Local sources	16,380	-	-	-	-	-
Total revenues	16,380	107,229	109,825	132	10,447	17,020
EXPENDITURES						
Instructional services:						
Salaries	4,684	56,868	36,125	-	-	-
Benefits	1,036	2,371	-	-	-	-
Pension expense	719	4,050	-	-	-	-
Purchased services	8,400	26,916	-	339	10,350	16,846
Supplies and materials	1,541	95	128,508	-	-	-
Total expenditures	16,380	90,300	164,633	339	10,350	16,846
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	16,929	(54,808)	(207)	97	174
OTHER FINANCING SOURCE						
Transfer in	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	16,929	(54,808)	(207)	97	174
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	12,067	(17,484)	-	(79)	(1,269)	(2,041)
FUND BALANCES (DEFICIT), END OF YEAR	$ 12,067	$ (555)	$ (54,808)	$ (286)	$ (1,172)	$ (1,867)

INTERMEDIATE SERVICE CENTER NO. 2 **SCHEDULE 4**
EDUCATION FUND **(CONTINUED)**
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	I.S.C. Operations	RSSP	Truants Alternative & Optional Education Program	Title II - Teacher Quality - Leadership Grant	Title I - School Improvement and Accountability	Pilot Regional Safe School Cooperative Education Program	Total
REVENUES							
Federal sources	$ -	$ -	$ -	$ 48,716	$ 567,653	$ -	$ 751,065
State sources	358,075	165,180	78,446	-	-	8,373	720,031
Local sources	-	-	-	-	-	-	16,380
Total revenues	358,075	165,180	78,446	48,716	567,653	8,373	1,487,476
EXPENDITURES							
Instructional services:							
Salaries	241,564	231,650	121,570	10,146	225,423	43,050	971,080
Benefits	44,794	25,293	13,079	1,425	18,171	7,744	113,913
Pension expense	22,207	1,551	918	2,645	79,951	256	112,297
Purchased services	38,704	1,037	7,072	34,500	239,693	496	384,353
Supplies and materials	12,634	6,753	5,506	-	9,929	1,517	166,483
Total expenditures	359,903	266,284	148,145	48,716	573,167	53,063	1,748,126
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,828)	(101,104)	(69,699)	-	(5,514)	(44,690)	(260,650)
OTHER FINANCING SOURCE							
Transfer in	1,828	-	-	-	-	-	1,828
Total other financing sources	1,828	-	-	-	-	-	1,828
NET CHANGE IN FUND BALANCES	-	(101,104)	(69,699)	-	(5,514)	(44,690)	(258,822)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	-	(31,134)	(3,829)	-	-	(8,320)	(52,089)
FUND BALANCES (DEFICIT), END OF YEAR	$ -	$ (132,238)	$ (73,528)	$ -	$ (5,514)	$ (53,010)	$ (310,911)

INTERMEDIATE SERVICE CENTER NO. 2
EDUCATION FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE 5

	I.S.C. Operations			RSSP			Truants Alternative & Optional Education Program		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Federal sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State sources	358,075	358,075	-	266,294	165,180	(101,114)	149,846	78,446	(71,400)
Total revenues	358,075	358,075	-	266,294	165,180	(101,114)	149,846	78,446	(71,400)
EXPENDITURES									
Instructional services:									
Salaries	249,545	241,564	7,981	231,650	231,650	-	120,959	121,570	(611)
Benefits	63,276	44,794	18,482	26,924	25,293	1,631	10,887	13,079	(2,192)
Pension expense	-	22,207	(22,207)	-	1,551	(1,551)	-	918	(918)
Purchased services	34,000	38,704	(4,704)	800	1,037	(237)	8,578	7,072	1,506
Supplies and materials	11,254	12,634	(1,380)	6,920	6,753	167	9,422	5,506	3,916
Total expenditures	358,075	359,903	(1,828)	266,294	266,284	10	149,846	148,145	1,701
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ -	(1,828)	$ (1,828)	$ -	(101,104)	$ (101,104)	$ -	(69,699)	$ (69,699)
OTHER FINANCING SOURCE									
Transfer in		1,828			-			-	
NET CHANGE IN FUND BALANCES		-			(101,104)			(69,699)	
FUND BALANCES (DEFICIT), BEGINNING OF YEAR		-			(31,134)			(3,829)	
FUND BALANCES (DEFICIT), END OF YEAR		$ -			$ (132,238)			$ (73,528)	

INTERMEDIATE SERVICE CENTER NO. 2
EDUCATION FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE 5
(CONTINUED)

	Title II - Teacher Quality - Leadership Grant			Title I - School Improvement and Accountability			Pilot Regional Safe School Cooperative Education Program			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES												
Federal sources	$ 48,716	$ 48,716	$ -	$ 705,087	$ 567,653	$ (137,434)	$ -	$ -	$ -	$ 753,803	$ 616,369	$ (137,434)
State sources	-	-	-	-	-	-	53,010	8,373	(44,637)	827,225	610,074	(217,151)
Total revenues	48,716	48,716	-	705,087	567,653	(137,434)	53,010	8,373	(44,637)	1,581,028	1,226,443	(354,585)
EXPENDITURES												
Instructional services:												
Salaries	11,515	10,146	1,369	238,490	225,423	13,067	43,050	43,050	-	895,209	873,403	21,806
Benefits	3,819	1,425	2,394	123,961	18,171	105,790	8,000	7,744	256	236,867	110,506	126,361
Pension expense	-	2,645	(2,645)	-	79,951	(79,951)	-	256	(256)	-	107,528	(107,528)
Purchased services	33,382	34,500	(1,118)	295,800	239,693	56,107	500	496	4	373,060	321,502	51,558
Supplies and materials	-	-	-	46,836	9,929	36,907	1,460	1,517	(57)	75,892	36,339	39,553
Total expenditures	48,716	48,716	-	705,087	573,167	131,920	53,010	53,063	(53)	1,581,028	1,449,278	131,750
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ -	-	$ -	$ -	(5,514)	$ (5,514)	$ -	(44,690)	$ (44,690)	$ -	(222,835)	$ (222,835)
OTHER FINANCING SOURCE												
Transfer in		-			-			-			1,828	
NET CHANGE IN FUND BALANCES		-			(5,514)			(44,690)			(221,007)	
FUND BALANCES (DEFICIT), BEGINNING OF YEAR		-			-			(8,320)			(43,283)	
FUND BALANCES (DEFICIT), END OF YEAR		$ -			$ (5,514)			$ (53,010)			$ (264,290)	