STATE OF ILLINOIS
INTERMEDIATE SERVICE CENTER NO. 2

FINANCIAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2019

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

PAGE

Intermediate Service Center No. 2
Officials
June 30, 2019

Executive Director (Current and during the audit period)	Dr. Mark Klaisner
Assistant Executive Director (Current and during the audit period)	Dr. Michael Popp
Chief School Business Official (June 16, 2021 to current)	Ms. Christi Tyler
Financial Assistant (Current and during the audit period)	Ms. Maria Creevy

Office is located at:

4413 Roosevelt Road
Suite 104
Hillside, IL 60162

INTERMEDIATE SERVICE CENTER NO. 2

FINANCIAL REPORT SUMMARY

For the Year Ended June 30, 2019

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	5	5
Repeated audit findings	4	4
Prior recommendations implemented or not repeated	1	2

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*)	
2019-001	10	Delay of Audit	Noncompliance
2019-002	12	Inadequate Internal Control Procedures	Material Weakness
2019-003	14	Lack of Adequate Controls Over the Review of Internal Controls Over External Service Providers	Significant Deficiency
2019-004	16	Controls Over Grant Compliance	Noncompliance
2019-005	17	Inadequate Controls Over Procurement-Card Transactions	Significant Deficiency
		PRIOR FINDINGS NOT REPEATED (*GOVERNMENT AUDITING STANDARDS*)	
2018-004	21	Lack of Controls Over Illinois Municipal Retirement Fund (IMRF) Census Data	Material Weakness

EXIT CONFERENCE

Intermediate Service Center No. 2 did not request an exit conference to discuss the audit for the year ended June 30, 2019. Responses to the findings were provided by Christi Tyler on May 4, 2023.

INTERMEDIATE SERVICE CENTER NO. 2
FINANCIAL STATEMENT REPORT SUMMARY
For the Year Ended June 30, 2019

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

Based on their audit, the auditors expressed an unqualified 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 cash basis 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, 2019, 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 the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and each major fund of the Intermediate Service Center No. 2, as of June 30, 2019, and the respective changes in its cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Emphasis of Matter – Basis of Accounting

As discussed in Note 9 of the financial statements, the Intermediate Service Center No. 2 changed its basis of accounting from accounting principles generally accepted in the United States of America to the cash basis of accounting during the year ended June 30, 2019. Beginning fund balances and net positions were adjusted as a result of this change. Our opinions are not modified with respect to these matters.

Other Matters

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 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.

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 schedules 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 on the cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2023, 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.

[FIRM SIGNATURE ON FILE]

Hillside, Illinois
June 29, 2023

**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 cash basis 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, 2019, 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, 2023.

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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that 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 deficiency described in the accompanying Schedule of Findings and Responses as item 2019-002 to be a material weakness.

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 2019-003 and 2019-005 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2019-001 and 2019-004.

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.

[FIRM SIGNATURE ON FILE]

Hillside, Illinois
June 29, 2023

INTERMEDIATE SERVICE CENTER No. 2

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements in Accordance with Cash Basis

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

FINDING NO. 2019-001 –Delay of Audit (Repeated from finding 18-001, 17-001, 16-004 and 15-004)

Criteria/Specific Requirements

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

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

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

Condition

The Intermediate Service Center No. 2 did not provide completed financial statements in an auditable form by the August 31, 2019 deadline. The completed financial statements were provided on December 15, 2022.

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. 2019-001 –Delay of Audit (Repeated from finding 18-001, 17-001, 16-004 and 15-004) (Continued)

Cause

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

Recommendation

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

Management Response

As this writing is occurring in FY23, we expect to see this as an ongoing finding for the audits yet to be completed for FY20-23. We have worked with our contracted accountant over the past seven years, who has experience with ROE/ISC audits and knows the requirements, to have reports available in a timely manner moving forward. We have also hired a Chief School Business Official (CSBO) who started work here in July 2021 to address this issue and other findings in this document.

FINDING NO. 2019-002 – Inadequate Internal Control Procedures (Partially repeated from Findings 18-002, 17-002, 16-001, 15-001, 14-001, 13-001 and 12-1)

Criteria/Specific Requirements

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

Condition

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

- All transactions are not initially posted directly to the correct funds in the general ledger. Subsequent adjusting entries must be recorded to reclassify them to the proper fund.
- There is a lack of segregation of duties within the cash receipts process. The same employee is primarily responsible for creating invoices for programs and academies, receiving and depositing cash receipts, and following up on outstanding balances. Additionally, there is no formal process for reviewing amounts owed to Intermediate Service Center No. 2.
- There is no consistent documentation of room rental rates. Room rates vary by type of event and user and are communicated to the registrar for invoicing either verbally or by email.

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. 2019-002 – Inadequate Internal Control Procedures (Partially repeated from Findings 18-002, 17-002, 16-001, 15-001, 14-001, 13-001 and 12-1) (Continued)

Recommendation

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

- Transactions should be posted directly to appropriate accounts upon initial recording to avoid subsequent reclassifications.
- Incompatible accounting functions need to be segregated and a formal process for reviewing amounts owed to Intermediate Service Center No. 2 implemented.
- Room rental rates should be communicated in writing to the registrar to avoid misunderstanding and to provide an audit trail.

Management Response

- Since the original finding regarding reclassifications, we have been training staff to provide accurate account coding to minimize the number of journal entries needed.
- Accounting functions will be segregated and a formal process for reviewing outstanding amounts implemented.
- Consistent documentation of room rentals will be developed.

FINDING NO. 2019-003 – Lack of Adequate Controls Over the Review of Internal Controls Over External Service Providers (Repeated from findings 18-003 and 17-005)

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. This process is not limited due to the process being outsourced.

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 for either obtaining the Service Organization Controls (SOC) reports from the service providers and related subservice organization or performing alternative procedures to determine the impact of such services on its internal control environment prior to signing an agreement with the service provider.
- Documented its review of each of the SOC reports, or performed alternative procedures, to evaluate any issues relevant to the Intermediate Service Center No. 2's internal controls.
- Monitored and documented the operation of the Complementary User Entity Controls (CUECs) relevant to the Intermediate Service Center No. 2's operations.

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.

FINDING NO. 2019-003 – Lack of Adequate Controls Over the Review of Internal Controls Over External Service Providers (Repeated from findings 18-003 and 17-005) (Continued)

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.

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 including services provided by subservice organizations, prior to signing agreements with providers and annually thereafter or perform independent reviews of internal controls associated with outsourced systems.
- Document its review of the SOC reports or perform alternative procedures to evaluate all significant issues 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. 2019-004 –Controls over Grant Compliance (Repeated from finding 18-005)

Criteria/Specific Requirements

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

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

Condition

During the course of the audit, auditors noted 6 of the 20 (30%) quarterly expenditure reports required by the Illinois State Board of Education were not submitted timely. The five quarterly expenditure reports were submitted four days late and one was submitted seven days late.

Effect

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

Cause

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

Recommendation

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

Management Response

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

FINDING NO. 2019-005 – Inadequate Controls Over Procurement-Card Transactions

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 an employee on Intermediate Service Center No. 2's P-card. These expenses were paid back in full by the employee with a personal check. The Intermediate Service Center No. 2 maintained a copy of the personal check and the related charge receipts with the credit card statements. Personal expenses charged within the transactions tested totaled $32.
- While testing a sample of 3 months of P-card transactions, supporting receipts were not provided for 6 cardholders' transactions totaling $635.
- While testing internal controls over disbursements, 1 out of 40 disbursements sampled included a P-card transaction for which a supporting invoice 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 a separate staff member using P-Cards instead of their personal credit cards. In addition, a statement and charge receipts were misplaced and could not be found.

FINDING NO. 2019-005 – Inadequate Controls Over Procurement-Card Transactions (Continued)

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.

INTERMEDIATE SERVICE CENTER NO. 2
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2019

FINDING NO. 2019-001 –Delay of Audit (Repeated from finding 18-001, 17-001, 16-004 and 15-004)

Condition

The Intermediate Service Center No. 2 did not provide completed financial statements in an auditable form by the August 31, 2019 deadline. The completed financial statements were provided on December 15, 2022.

Corrective Action Plan

As this writing is occurring in FY23, we expect to see this as an ongoing finding for the audits yet to be completed for FY20-23. We have worked with our contracted accountant over the past seven years, who has experience with ROE/ISC audits and knows the requirements, to have reports available in a timely manner moving forward. We have also hired a Chief School Business Official (CSBO) who started work here in July 2021 to address this issue and other findings in this document.

Anticipated Date of Completion

August 31, 2025

Name of Contact Person

Christi Tyler

INTERMEDIATE SERVICE CENTER NO. 2
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2019

FINDING NO. 2019-002 – Inadequate Internal Control Procedures (Partially repeated from Findings 18-002, 17-002, 16-001, 15-001, 14-001, 13-001 and 12-1)

Condition

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

- All transactions are not initially posted directly to the correct funds in the general ledger. Subsequent adjusting entries must be recorded to reclassify them to the proper fund.
- There is a lack of segregation of duties within the cash receipts process. The same employee is primarily responsible for creating invoices for programs and academies, receiving and depositing cash receipts, and following up on outstanding balances. Additionally, there is no formal process for reviewing amounts owed to Intermediate Service Center No. 2.
- There is no consistent documentation of room rental rates. Room rates vary by type of event and user and are communicated to the registrar for invoicing either verbally or by email.

Corrective Action Plan

- Since the original finding regarding reclassifications, we have been training staff to provide accurate account coding to minimize the number of journal entries needed.
- Accounting functions will be segregated and a formal process for reviewing outstanding amounts implemented.
- Consistent documentation of room rentals will be developed.

Anticipated Date of Completion

July 31, 2022

Name of Contact Person

Christi Tyler

INTERMEDIATE SERVICE CENTER NO. 2
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2019

FINDING NO. 2019-003 – Lack of Adequate Controls Over the Review of Internal Controls Over External Service Providers (Repeated from findings 18-003 and 17-005)

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 for either obtaining the Service Organization Controls (SOC) reports from the service providers and related subservice organization or performing alternative procedures to determine the impact of such services on its internal control environment prior to signing an agreement with the service provider.
- Documented its review of each of the SOC reports, or performed alternative procedures, to evaluate any issues relevant to the Intermediate Service Center No. 2's internal controls.
- Monitored and documented the operation of the Complementary User Entity Controls (CUECs) relevant to the Intermediate Service Center No. 2's operations.

Corrective Action Plan

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.

Anticipated Date of Completion

July 31, 2022

Name of Contact Person

Christi Tyler

FINDING NO. 2019-004 –Controls over Grant Compliance (Repeated from finding 18-005)

Condition

During the course of the audit, auditors noted 6 of the 20 (30%) quarterly expenditure reports required by the Illinois State Board of Education were not submitted timely. Five quarterly expenditure reports were submitted four days late and one was submitted seven days late.

Corrective Action Plan

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

Anticipated Date of Completion

July 31, 2022

Name of Contact Person

Christi Tyler

INTERMEDIATE SERVICE CENTER NO. 2
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2019

FINDING NO. 2019-005 – Inadequate Controls Over Procurement-Card Transactions

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 an employee on Intermediate Service Center No. 2's P-card. These expenses were paid back in full by the employee with a personal check. The Intermediate Service Center No. 2 maintained a copy of the personal check and the related charge receipts with the credit card statements. Personal expenses charged within the transactions tested totaled $32.
- While testing a sample of 3 months of P-card transactions, supporting receipts were not provided for 6 cardholders' transactions totaling $635.
- While testing internal controls over disbursements, 1 out of 40 disbursements sampled included a P-card transaction for which a supporting invoice was not 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 31, 2022

Name of Contact Person

Christi Tyler

INTERMEDIATE SERVICE CENTER NO. 2

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS NOT REPEATED

For the Year Ended June 30, 2019

2018-004	Lack of Controls Over Illinois Municipal Retirement Fund (IMRF) Census Data In the current year, Intermediate Service Center No. 2 changed to the cash basis of accounting. As a result, the IMRF net pension liability was not reported in the financial statements and the related census data was not required to be tested.	Not Repeated

BASIC FINANCIAL STATEMENTS

FUNCTIONS/PROGRAMS	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Cash Basis Net Position — Primary Government: Governmental Activities
PRIMARY GOVERNMENT				
Governmental activities:				
Instructional services:				
Salaries	$ 5,918,511	$ 765,430	$ 5,339,221	$ 186,140
Benefits	1,122,411	146,204	1,011,668	35,461
Pension expense	484,639	546,876	27,450	89,687
OPEB expense	14,649	12,582	4,171	2,104
Purchased services	1,686,587	248,016	1,496,211	57,640
Supplies and materials	222,720	21,299	207,270	5,849
Capital expenditures	30,541	3,151	28,228	838
Debt service:				
Principal payment on line of credit	1,000,000	1,195,350	-	195,350
Interest on line of credit	99,683	119,156	-	19,473
Intergovernmental:				
Payments to other governments	139,749	14,488	129,105	3,844
Administrative:				
On-behalf payments - State	1,543,750	-	1,543,750	-
TOTAL PRIMARY GOVERNMENT	$ 12,263,240	$ 3,072,552	$ 9,787,074	596,386
CASH BASIS NET POSITION, BEGINNING OF YEAR, AS RESTATED (SEE NOTE 9)				1,600,928
CASH BASIS NET POSITION, END OF YEAR				$ 2,197,314
CASH BASIS NET POSITION				
Restricted				$ 410,495
Unrestricted				1,786,819
TOTAL CASH BASIS NET POSITION				$ 2,197,314

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

Intermediate Service Center No. 2
Governmental Funds
Statement of Cash Receipts, Disbursements, and Changes in Cash and Cash Equivalents
As of and for the Year Ended June 30, 2019
Exhibit B

	General Fund	Education Fund	Institute	Total Governmental Funds
RECEIPTS				
Federal sources	$ -	$ 139,428	$ -	$ 139,428
State sources	7,341,904	761,992	-	8,103,896
Local sources	2,721,566	193,693	157,293	3,072,552
On-behalf payments - State	252,659	-	-	252,659
Total receipts	10,316,129	1,095,113	157,293	11,568,535
DISBURSEMENTS				
Instructional services:				
Salaries	5,159,952	678,894	79,665	5,918,511
Benefits	1,023,917	80,869	17,625	1,122,411
Pension expense	440,521	35,904	8,214	484,639
OPEB Expense	10,526	4,123	-	14,649
Purchased services	1,497,042	186,908	2,637	1,686,587
Supplies and materials	188,066	34,316	338	222,720
Debt service:				
Principal payment on line of credit	1,000,000	-	-	1,000,000
Interest on line of credit	99,683	-	-	99,683
Intergovernmental:				
Payments to other governments	139,749	-	-	139,749
Administrative:				
On-behalf payments - State	252,659	-	-	252,659
Capital expenditures	30,392	149	-	30,541
Total disbursements	9,842,507	1,021,163	108,479	10,972,149
CHANGE IN CASH AND CASH EQUIVALENTS	473,622	73,950	48,814	596,386
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR, AS RESTATED (SEE NOTE 9)	1,444,851	(187,713)	343,790	1,600,928
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,918,473	$ (113,763)	$ 392,604	$ 2,197,314
CASH BASIS FUND BALANCES				
Restricted	$ -	$ 17,891	$ 392,604	$ 410,495
Assigned	3,852,379	-	-	3,852,379
Unassigned	(1,933,906)	(131,654)	-	(2,065,560)
TOTAL CASH BASIS FUND BALANCES	$ 1,918,473	$ (113,763)	$ 392,604	$ 2,197,314

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

NOTE 1 NATURE OF OPERATIONS AND 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.

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

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

The Center provides educational services to member school districts and is governed by the Governing Board. Operations are conducted through one of its member districts which acts as its administrative agent.

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

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

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

B. Basis of Presentation

Government-wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

The Center reports the following major governmental funds:

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 receipts and disbursements associated with workshops conducted by the Center and tuition monies for teachers.

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

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.

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

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

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

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

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

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

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

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

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

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

Regional Safe School Program (RSSP) - Alternative program created through state legislation for students in grades 6 through 12 that have multiple suspensions or that have been expelled from their district. Eligible students are administratively transferred from their district into this program.

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.

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

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.

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

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

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.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

D. Governmental Cash Basis Fund Balance

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

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

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

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

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

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 ALOP account has an assigned fund balance.

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, Multi-tier System of Support, 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, and AdvancED.

E. Employer Contributions to Pension and OPEB Plans

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

F. Budgets and Budgetary Accounting

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

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

Special Revenue Funds:

- Education Fund:
  - I.S.C. Operations
  - RSSP
  - Truants Alternative and Optional Education Program
  - Title II - Teacher Quality - Leadership Grant

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

- Title I - School Improvement and Accountability
- Pilot Regional Safe School Cooperative Education Program

G. Cash and Cash Equivalents

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

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

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

The Lyons Township School Treasurer (Treasurer), a separate legal governmental agency, serves as the Treasurer as prescribed by the Illinois School Code (105 ILCS 5/8). In addition to the Center, the Treasurer serves other districts. Cash from all districts is combined by the Treasurer and excess cash is invested as authorized by law. Because there is no specific identification of investments by individual districts, interest earned on investments is 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	$ 2,178,643	$ 2,178,643

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

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.

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of 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, 2019.

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.

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

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

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

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, 2019, the Treasurer's investments subject to credit risk were rated as follows:

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

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

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

Custodial Credit Risk. With respect to deposits, custodial credit risk is the risk that, in the event of a bank failure, the government's deposit may not be returned to it. The Treasurer's investment policy limits the exposure to deposit custodial credit risk by requiring all deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurable limits to be secured by collateral in the event of default or failure of the financial institution holding the fund. At June 30, 2019,

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

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 be 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, 2019, there were no investments exposed to custodial credit risk.

I. New Accounting Pronouncement

In 2019, the Center implemented GASB Statement No. 83 - *Certain Asset Retirement Obligations* and GASB Statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations. GASB Statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements and also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement Nos. 83 and 88 had no impact on the Center's financial statements.

NOTE 2 CASH AND CASH EQUIVALENTS

Deposits

At June 30, 2019, the carrying amounts of the Center's government-wide fund deposits were $18,671 and the bank balances were $18,671. Of the total bank balances as of June 30, 2019, $1,000 was secured by FDIC and $17,671 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, 2019, 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,

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

2019, the Center had investments totaling $17,671 in the Illinois Funds Money Market Fund.

Credit Risk - At June 30, 2019, the Illinois Funds Money Market Fund had a Standard and Poor's AAAm rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investments Act (30 ILCS 235). All investments are fully collateralized.

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

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

NOTE 3 RISK MANAGEMENT

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

NOTE 4 RETIREMENT FUND COMMITMENTS

Teachers' Retirement System of the State of Illinois

Plan Description

The Center participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non-annuitants who are employed by a TRS- covered employer to provide

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at https://www.trsil.org/financial/acfrs/fy2018; 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 1 members have TRS or reciprocal system service prior to January 1, 2011. Tier 1 members qualify for retirement benefits at age 62 with five years of service, at age 60 with 10 years, or age 55 with 20 years. The benefit is determined by the average of the four highest consecutive years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service. Disability and death benefits are also provided.

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

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

Public Act 100-0023, enacted in 2017, creates an optional Tier 3 hybrid retirement plan, but it has not yet gone into effect. The earliest possible implementation date is July 1, 2020. Public Act 100-0587, enacted in 2018, requires TRS to offer two temporary benefit buyout programs that will expire on June 30, 2021. One program allows retiring Tier 1 members to receive a partial lumpsum payment in exchange for accepting a lower, delayed annual increase. The other allows inactive vested Tier 1 and 2 members to receive a partial lump-

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

sum payment in lieu of a retirement annuity. Both programs will begin in 2019 and will be funded by bonds issued by the State of Illinois.

Contributions

The State of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to the 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, 2018, was 9.0 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the Center.

On behalf contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the Center. For the year ended June 30, 2019, 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 $1,173,112 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, 2019 were $9,235.

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

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

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

For the year ended June 30, 2019, the Center's pension contribution was 9.85 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2019, there were no salaries paid from federal and special trust funds that required employer contributions.

Employer retirement cost contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The Center is required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. Additionally, beginning with the year ended June 30, 2019, employers will make a similar contribution for salary increases over 3 percent if members are not exempted by current collective bargaining agreement.

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, 2019, the Center made no payments to TRS for employer contributions due on salary increases in excess of 6 percent and no payments for sick leave days granted in excess of the normal annual allotment.

Illinois Municipal Retirement Fund

IMRF Plan Description

The Center's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The Center's plan is managed by the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section below. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available 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

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

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, 2018, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries currently receiving benefits	20
Inactive Plan Member entitled to but not yet receiving benefits	64
Active Plan Members	88
Total	172

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

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 2018 was 11.82%. For the fiscal year ended June 30, 2019, the Center contributed $442,120 to the plan. The Center also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS

Teachers' Health Insurance Security Fund

THIS Plan Description

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

Benefits Provided

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The plan is administered by CMS with the cooperation of TRS. Section 6.6 of the State Employees Group

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (Continued)

Insurance Act of 1971 required all active contributors to TRS who are not employees of the State to make a contribution to the THIS Fund.

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

On-behalf Contributions to the THIS Fund

The State of Illinois makes employer retiree health insurance contributions on behalf of the Center. For the year ended June 30, 2019, State of Illinois contributions recognized by the Center were based on the State's proportionate share of the collective net OPEB liability associated with the Center, and recognized receipt and disbursement of $117,979 in OPEB contributions from the State of Illinois.

The Center contributions to the THIS Fund

The Center also makes contributions to the THIS Fund. The Center's THIS Fund contribution was 0.92 percent during the year ended June 30, 2019 and 0.88, 0.84, and 0.80 percent during the years ended June 30, 2018, June 30, 2017, and June 30, 2016, respectively. For the year ended June 30, 2019, the Center paid $14,649 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2018, June 30, 2017, and June 30, 2016, the Center paid $13,401, $15,801, and $12,451 respectively, which was 100 percent of the required contributions.

Further information on the THIS Fund

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

<u>Postretirement Health Plan</u>

Plan Description

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

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (Continued)

plans. The required information is as follows:

Eligibility Provisions

Full-Time Employees - IMRF

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

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

Full-Time Employees - TRS

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

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

Benefits Provided

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

Participant Data

At July 1, 2018, participant data consisted of:

	Participants
Total active employees	102
Inactive employees currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	–
Total	104

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy and Contributions

There is no formal funding policy that exists for the postretirement plan at this time, as the total OPEB liability is currently an unfunded obligation. The employer contributions and benefit payments are related to the increase in active premiums due to the presence of retirees in the determination of blended retiree/active premiums. Contributions from other Center resources and benefit payments from other Center resources refers to contributions made to and benefit payments made from the OPEB Plan that were not directly made to or from the OPEB Trust. The Center paid $12,499 during fiscal 2019.

NOTE 6 ON-BEHALF CONTRIBUTIONS

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

Executive Director Salary	$	117,600
Executive Director Fringe Benefits		22,514
Assistant Executive Director Salary		105,840
Assistant Executive Director Fringe Benefits		6,705
Total	$	252,659

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

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

Center’s share of THIS OPEB expense	$	117,979
Center’s share of TRS pension expense		1,173,112
Total	$	1,291,091

The Center recorded $1,173,112 in receipt and disbursement as on-behalf payment from ISBE for the Center’s share of the State’s TRS pension expense and $117,979 in receipt and disbursement as on-behalf payments from the THIS fund for the Center’s share of the OPEB expense in the Statement of Activities.

NOTE 7 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

NOTE 7 NON-CANCELABLE OPERATING LEASES (Continued)

square feet of space plus the Expansion Space of 2,249 square feet for a total of 9,749 square feet in Hillside, Illinois. Base annual rent is initially set at $7,500 plus $2,316 for the Expansion Space per month with a 3% annual increase. The Center is responsible for common area maintenance and its pro-rata share of real estate taxes. The Center has an option to extend the term of the lease for an additional five year period with respect to the entire premises.

During June 2018, the Center renewed its lease for the 7,500 rentable square feet. The Center terminated its lease for the additional 2,249 square feet effective July 31, 2018. Lease expense for the year ended June 30, 2019, amounted to $117,120.

Minimum future rental payments under the non-cancelable lease for the year subsequent to June 30, 2019 are as follows:

Year Ended June 30	Amount
2020	$ 96,602

Lease Commitment - Hillside - Harbor Academy

On June 28, 2013, the Center leased a commercial building for the Harbor Academy School. The thirty-six month lease beginning June 28, 2013 provides for the lease by the Center of space in Hillside, Illinois. Base annual rent is initially set at $8,550 per month with a 3.5% annual increase beginning on July 1, 2014. The lease had a renewal option in fiscal year 2017 and was renewed for an additional six years on February 6, 2017. Lease expense for the year ended June 30, 2019, amounted to $101,658.

Minimum future rental payments under the non-cancelable lease for the years subsequent to June 30, 2019 are as follows:

Year Ended June 30	Amount
2020	$ 104,708
2021	107,849
2022	111,083
	$ 323,640

NOTE 8 DEFICIT FUND BALANCE

As of June 30, 2019, Education Fund has a deficit balance of $113,763.
The deficit in fund balance is mainly due to late payments of funding from the State. It is expected that this deficit will continue into the future.

NOTE 9 CHANGE IN BASIS OF ACCOUNTING

On June 25, 2021, House Bill 1934 was passed which amends the School Code (105 ILCS 5/2-3.17a). Effective June 26, 2021, the Regional Office of Education or Educational Service Center may utilize a cash basis, modified cash basis, or GAAP basis of accounting in the preparation of the financial statements.

Prior to fiscal year 2019, the Center's financial statements were using the GAAP basis of accounting. Pursuant to the newly passed House Bill, the Center has implemented cash basis of accounting in the preparation of its financial statements as of and for the year ended June 30, 2019, as described in Note 1.

The effect of this change follows:

	Governmental Activities
Net position June 30, 2018, as previously reported	$ (6,671,681)
Effect of change in basis of accounting	8,272,609
Net position July 1, 2018, as restated	$ 1,600,928

	General Fund	Education Fund	Institute
Fund balance (deficit) June 30, 2018, as previously reported	$ 1,475,381	$ (73,250)	$ 341,171
Effect of change in basis of accounting	(30,530)	(114,463)	2,619
Fund balance (deficit) July 1, 2018, as restated	$ 1,444,851	$ (187,713)	$ 343,790

NOTE 10 LINE OF CREDIT COMMITMENT

On June 25, 2018, the Center secured a line of credit from the Community Bank of Oak Park River Forest totaling $2,500,000 to help subsidize operating expenses while waiting for reimbursement from various funding sources. The loan bears an interest rate of 4% and matures on June 25, 2020. $1,000,000 was paid off during 2019 and any remaining outstanding balance was paid in full on January 24, 2020.

NOTE 11 SUBSEQUENT EVENTS

On May 4, 2023, the Center issued $9 million of Taxable Debt Certificates, Series 2023 maturing on June 1, 2025 and bearing interest at a rate of 5.20% to fund a property acquisition. Subsequent events have been evaluated through June 29, 2023, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Combining Schedule of Cash Receipts, Disbursements, and Changes in Cash and Cash Equivalents
As of and for the Year Ended June 30, 2019
Schedule 1

	Local Sources	General State Aid/ RSSP Tuition	ALOP	Fingerpriting	Non-Public School Compliance	Total
RECEIPTS						
State sources	$ -	$ 587,485	$ 6,696,144	$ -	$ 58,275	$ 7,341,904
Local sources	2,072,798	600,442	-	48,326	-	2,721,566
On-behalf payments - State	252,659	-	-	-	-	252,659
Total receipts	2,325,457	1,187,927	6,696,144	48,326	58,275	10,316,129
DISBURSEMENTS						
Instructional services:						
Salaries	418,290	858,411	3,854,372	17,218	11,661	5,159,952
Benefits	55,466	186,351	779,769	1,318	1,013	1,023,917
Pension expense	15,081	37,679	384,824	1,765	1,172	440,521
OPEB expense	1,947	4,875	3,704	-	-	10,526
Purchased services	1,041,451	196,493	180,227	27,103	51,768	1,497,042
Supplies and materials	155,601	16,440	16,025	-	-	188,066
Debt service:						
Principal payment on line of credit	1,000,000	-	-	-	-	1,000,000
Interest on line of credit	99,683	-	-	-	-	99,683
Intergovernmental:						
Payments to other governments	14,749	125,000	-	-	-	139,749
Administrative:						
On-behalf payments - State	252,659	-	-	-	-	252,659
Capital expenditures	29,973	349	70	-	-	30,392
Total disbursements	3,084,900	1,425,598	5,218,991	47,404	65,614	9,842,507
CHANGE IN CASH AND CASH EQUIVALENTS	(759,443)	(237,671)	1,477,153	922	(7,339)	473,622
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR, AS RESTATED (SEE NOTE 9)	(933,156)	101,970	2,375,226	(1,823)	(97,366)	1,444,851
CASH AND CASH EQUIVALENTS, END OF YEAR	$ (1,692,599)	$ (135,701)	$ 3,852,379	$ (901)	$ (104,705)	$ 1,918,473
CASH BASIS FUND BALANCES						
Assigned	$ -	$ -	$ 3,852,379	$ -	$ -	$ 3,852,379
Unassigned	(1,692,599)	(135,701)	-	(901)	(104,705)	(1,933,906)
TOTAL CASH BASIS FUND BALANCES	$ (1,692,599)	$ (135,701)	$ 3,852,379	$ (901)	$ (104,705)	$ 1,918,473

	West Cook Math Initiative	Multi-Tier System of Support	Technology for Success	State Free Lunch and Breakfast	School Breakfast Program
RECEIPTS					
Federal sources	$ -	$ -	$ -	$ -	$ 7,088
State sources	-	-	-	534	-
Local sources	18,995	160,580	-	-	-
Total receipts	18,995	160,580	-	534	7,088
DISBURSEMENTS					
Instructional services:					
Salaries	5,468	105,949	-	-	-
Benefits	728	14,806	-	-	-
Pension expense	854	7,660	-	-	-
OPEB expense	-	-	-	-	-
Purchased services	6,962	55,471	-	-	5,259
Supplies and materials	300	870	-	-	-
Capital expenditures	-	-	-	-	-
Total disbursements	14,312	184,756	-	-	5,259
CHANGE IN CASH AND CASH EQUIVALENTS	4,683	(24,176)	-	534	1,829
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR, AS RESTATED (SEE NOTE 9)	7,308	(16,318)	3,376	(269)	-
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 11,991	$ (40,494)	$ 3,376	$ 265	$ 1,829
CASH BASIS FUND BALANCES					
Restricted	$ 11,991	$ -	$ 3,376	$ 265	$ 1,829
Unassigned	-	(40,494)	-	-	-
TOTAL CASH BASIS FUND BALANCES	$ 11,991	$ (40,494)	$ 3,376	$ 265	$ 1,829

	National School Lunch Program	I.S.C Operations	RSSP	Truants Alternative and Optional Education	Title II - Teacher Quality - Leadership Grant
RECEIPTS					
Federal sources	$ 11,345	$ -	$ -	$ -	$ 13,146
State sources	-	247,985	286,573	162,334	-
Local sources	-	-	-	-	-
Total receipts	11,345	247,985	286,573	162,334	13,146
DISBURSEMENTS					
Instructional services:					
Salaries	-	160,908	231,829	124,908	695
Benefits	-	25,804	19,705	12,837	203
Pension expense	-	23,141	1,688	1,952	74
OPEB expense	-	-	2,623	1,062	-
Purchased services	9,769	28,132	4,000	1,064	19,024
Supplies and materials	997	10,000	7,210	1,665	-
Capital expenditures	149	-	-	-	-
Total disbursements	10,915	247,985	267,055	143,488	19,996
CHANGE IN CASH AND CASH EQUIVALENTS	430	-	19,518	18,846	(6,850)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR, AS RESTATED (SEE NOTE 9)	-	-	(43,026)	(24,976)	(10,534)
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 430	$ -	$ (23,508)	$ (6,130)	$ (17,384)
CASH BASIS FUND BALANCES					
Restricted	$ 430	$ -	$ -	$ -	$ -
Unassigned	-	-	(23,508)	(6,130)	(17,384)
TOTAL CASH BASIS FUND BALANCES	$ 430	$ -	$ (23,508)	$ (6,130)	$ (17,384)

	Title I - School Improvement and Accountability	Pilot Regional Safe School Cooperative Education	ESSA Non-Public Ombudsman	AdvancED	Total
RECEIPTS					
Federal sources	$ 107,849	$ -	$ -	$ -	$ 139,428
State sources	-	61,500	3,066	-	761,992
Local sources	-	-	-	14,118	193,693
Total receipts	107,849	61,500	3,066	14,118	1,095,113
DISBURSEMENTS					
Instructional services:					
Salaries	-	47,390	-	1,747	678,894
Benefits	-	6,436	-	350	80,869
Pension expense	-	281	-	254	35,904
OPEB expense	-	438	-	-	4,123
Purchased services	44,488	160	-	12,579	186,908
Supplies and materials	12,458	816	-	-	34,316
Capital expenditures	-	-	-	-	149
Total disbursements	56,946	55,521	-	14,930	1,021,163
CHANGE IN CASH AND CASH EQUIVALENTS	50,903	5,979	3,066	(812)	73,950
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR, AS RESTATED (SEE NOTE 9)	(76,780)	(10,592)	(9,285)	(6,617)	(187,713)
CASH AND CASH EQUIVALENTS, END OF YEAR	$ (25,877)	$ (4,613)	$ (6,219)	$ (7,429)	$ (113,763)
CASH BASIS FUND BALANCES					
Restricted	$ -	$ -	$ -	$ -	$ 17,891
Unassigned	(25,877)	(4,613)	(6,219)	(7,429)	(131,654)
TOTAL CASH BASIS FUND BALANCES	$ (25,877)	$ (4,613)	$ (6,219)	$ (7,429)	$ (113,763)

	I.S.C. Operations				RSSP			
	Budgeted Amounts		Actual	Variance with Final Budget Favorable	Budgeted Amounts		Actual	Variance with Final Budget Favorable
	Original	Final	Amounts	(Unfavorable)	Original	Final	Amounts	(Unfavorable)
RECEIPTS								
Federal sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State sources	247,985	247,985	247,985	-	265,347	265,347	286,573	(21,226)
Total receipts	247,985	247,985	247,985	-	265,347	265,347	286,573	(21,226)
DISBURSEMENTS								
Instructional services:								
Salaries	160,908	160,908	160,908	-	231,829	231,829	231,829	-
Benefits	48,945	48,945	25,804	23,141	24,018	24,018	19,705	4,313
Pension expense	-	-	23,141	(23,141)	-	-	1,688	(1,688)
OPEB expense	-	-	-	-	-	-	2,623	(2,623)
Purchased services	28,132	28,132	28,132	-	4,000	3,000	4,000	(1,000)
Supplies and materials	10,000	10,000	10,000	-	5,500	6,500	7,210	(710)
Total disbursements	247,985	247,985	247,985	-	265,347	265,347	267,055	(1,708)
CHANGE IN CASH AND CASH EQUIVALENTS	$ -	$ -	-	$ -	$ -	$ -	19,518	$ (22,934)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR, AS RESTATED (SEE NOTE 9)			-				(43,026)	
CASH AND CASH EQUIVALENTS, END OF YEAR			$ -				$ (23,508)	

	Truants Alternative and Optional Education				Title II - Teacher Quality - Leadership Grant			
	Budgeted Amounts		Actual	Variance with Final Budget Favorable	Budgeted Amounts		Actual	Variance with Final Budget Favorable
	Original	Final	Amounts	(Unfavorable)	Original	Final	Amounts	(Unfavorable)
RECEIPTS								
Federal sources	$ -	$ -	$ -	$ -	$ 19,486	$ 19,486	$ 13,146	$ (6,340)
State sources	149,846	149,846	162,334	(12,488)	-	-	-	-
Total receipts	149,846	149,846	162,334	(12,488)	19,486	19,486	13,146	(6,340)
DISBURSEMENTS								
Instructional services:								
Salaries	124,723	130,908	124,908	6,000	834	834	695	139
Benefits	22,065	16,553	12,837	3,716	146	146	203	(57)
Pension expense	-	-	1,952	(1,952)	-	-	74	(74)
OPEB expense	-	-	1,062	(1,062)	-	-	-	-
Purchased services	1,065	1,064	1,064	-	18,506	18,506	19,024	(518)
Supplies and materials	1,993	1,321	1,665	(344)	-	-	-	-
Total disbursements	149,846	149,846	143,488	6,358	19,486	19,486	19,996	(510)
CHANGE IN CASH AND CASH EQUIVALENTS	$ -	$ -	18,846	$ (6,130)	$ -	$ -	(6,850)	$ (6,850)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR, AS RESTATED (SEE NOTE 9)			(24,976)				(10,534)	
CASH AND CASH EQUIVALENTS, END OF YEAR			$ (6,130)				$ (17,384)	

	Title I - School Improvement and Accountability				Pilot Regional Safe School Cooperative Education Program			
	Budgeted Amounts*		Actual	Variance with Final Budget Favorable	Budgeted Amounts		Actual	Variance with Final Budget Favorable
	Original	Final	Amounts	(Unfavorable)	Original	Final	Amounts	(Unfavorable)
RECEIPTS								
Federal sources	$ -	$ -	$ 107,849	$ 107,849	$ -	$ -	$ -	$ -
State sources	-	-	-	-	55,362	55,362	61,500	(6,138)
Total receipts	-	-	107,849	107,849	55,362	55,362	61,500	(6,138)
DISBURSEMENTS								
Instructional services:								
Salaries	-	-	-	-	47,546	47,546	47,390	156
Benefits	-	-	-	-	7,000	7,000	6,436	564
Pension expense	-	-	-	-	-	-	281	(281)
OPEB expense	-	-	-	-	-	-	438	(438)
Purchased services	-	-	44,488	(44,488)	-	-	160	(160)
Supplies and materials	-	-	12,458	(12,458)	816	816	816	-
Total disbursements	-	-	56,946	(56,946)	55,362	55,362	55,521	(159)
CHANGE IN CASH AND CASH EQUIVALENTS	$ -	$ -	50,903	$ 50,903	$ -	$ -	5,979	$ (6,297)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR, AS RESTATED (SEE NOTE 9)			(76,780)				(10,592)	
CASH AND CASH EQUIVALENTS, END OF YEAR			$ (25,877)				$ (4,613)	

**There were no budgeted amounts for Title I - School Improvement and Accountability since the grant ended in fiscal year 2018*
The grant in fiscal year 2018 ran from July 1, 2017 through August 31, 2018.