

**STATE OF ILLINOIS
SOUTH COOK INTERMEDIATE
SERVICE CENTER #4**

**FINANCIAL AUDIT
(In Accordance with the Single Audit Act and
OMB Circular A-133)
For the Year Ended June 30, 2015**

**Performed as Special Assistant Auditors
for the Auditor General, State of Illinois**

SOUTH COOK INTERMEDIATE SERVICE CENTER #4

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SOUTH COOK INTERMEDIATE SERVICE CENTER #4

OFFICIALS

Executive Director (Current and During the Audit Period)	Dr. Vanessa Kinder
Assistant Executive Director (Current and During the Audit Period)	Dr. Kathleen Doyle
Executive Assistant (Current and During the Audit Period)	Ms. Beth Maloney
Bookkeeper (Current and During the Audit Period)	Ms. Shelia Ivy

Office is located at:

253 West Joe Orr Road
Chicago Heights, IL 60411

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
COMPLIANCE REPORT SUMMARY**

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

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

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<i>Findings (Government Auditing Standards)</i>			
2015-001	13a	Controls Over Financial Statement Preparation	Material Weakness
<i>Findings and Questioned Costs (Federal Compliance)</i>			
None			
<i>Prior Audit Findings not Repeated (Government Auditing Standards)</i>			
None			
<i>Prior Audit Findings not Repeated (Federal Compliance)</i>			
None			

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
COMPLIANCE REPORT SUMMARY (Concluded)**

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference on September 17, 2015. Attending were Vanessa Kinder, Executive Director and Michelle D. Smith, CPA, Partner, Kemper CPA Group LLP. Responses to the recommendations were provided by Vanessa Kinder, Executive Director on October 16, 2015.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying basic financial statements of South Cook Intermediate Service Center #4 was performed by Kemper CPA Group LLP.

Based on their audit, the auditors expressed an unmodified opinion on South Cook Intermediate Service Center #4's basic financial statements.

INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Board of Directors
South Cook Intermediate Service Center #4

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Cook Intermediate Service Center #4, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the South Cook Intermediate Service Center #4's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of 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 auditors' 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Cook Intermediate Service Center #4, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As disclosed in Notes 1 and 12 to the financial statements, the South Cook Intermediate Service Center #4 implemented Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, in the current year and has recognized a net pension liability and deferred inflows and outflows of resources related to pensions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the Net Pension Liability & Related Ratios – Illinois Municipal Retirement Fund, Schedule of Employer Contributions – Illinois Municipal Retirement Fund, Schedule of the Employer's Proportionate Share of the Net Pension Liability – Teachers' Retirement System of the State of Illinois, Schedule of Employer Contributions – Teachers' Retirement System of the State of Illinois, and Post Employment Benefits Other than Pensions – Schedule of Funding Progress (Unaudited) on pages 16a–16f, 59, 60, 61, and 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Cook Intermediate Service Center #4's basic financial statements. The combining schedules of accounts, budgetary comparison schedules, the combining fund financial statements, and the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of accounts, budgetary comparison schedules, the combining fund financial statements, and the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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, the combining fund financial statements, and the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2016 on our consideration of the South Cook Intermediate Service Center #4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 South Cook Intermediate Service Center #4's internal control over financial reporting and compliance.

Kemper CPA Group LLP

Certified Public Accountants and Consultants

Evansville, Indiana
March 2, 2016

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

Board of Directors
South Cook Intermediate Service Center #4

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Cook Intermediate Service Center #4, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise South Cook Intermediate Service Center #4's basic financial statements, and have issued our report thereon dated March 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the South Cook Intermediate Service Center #4'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 South Cook Intermediate Service Center #4's internal control. Accordingly, we do not express an opinion on the effectiveness of South Cook Intermediate Service Center #4's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Questioned Costs as item 2015-001 to be a material weakness.

Compliance and Other Matters

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

South Cook Intermediate Service Center #4's Response to Finding

South Cook Intermediate Service Center #4's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. South Cook Intermediate Service Center #4's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 South Cook Intermediate Service Center #4'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 South Cook Intermediate Service Center #4's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kemper CPA Group LLP

Certified Public Accountants and Consultants

Evansville, Indiana
March 2, 2016



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Frank J. Mautino
Auditor General
State of Illinois

Board of Directors
South Cook Intermediate Service Center #4

Report on Compliance for Each Major Federal Program

We have audited South Cook Intermediate Service Center #4's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the South Cook Intermediate Service Center #4's major federal programs for the year ended June 30, 2015. The South Cook Intermediate Service Center #4's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the South Cook Intermediate Service Center #4's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the South Cook Intermediate Service Center #4's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the South Cook Intermediate Service Center #4's compliance.

Opinion on Each Major Federal Program

In our opinion, the South Cook Intermediate Service Center #4 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of South Cook Intermediate Service Center #4 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the South Cook Intermediate Service Center #4's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the South Cook Intermediate Service Center #4's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants and Consultants

Evansville, Indiana
March 2, 2016

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION I—SUMMARY OF AUDITORS' RESULTS
For the Year Ended June 30, 2015**

Financial Statements

Type of auditors' report issued:	<i>unmodified</i>
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	<i>unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I-School Improvement and Accountability

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2015

Finding No. 2015–001– Controls Over Financial Statement Preparation (Repeat of Prior Year Findings 14–001, 13–001, 12–1, 11–1, 10–1, 09–1 and 08–1)

Criteria/Specific Requirement:

The South Cook Intermediate Service Center #4 (ISC) is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). South Cook Intermediate Service Center #4's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments* (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in net position of governmental activities in the Statement of Activities. In addition, the Statement requires information about the government's major and nonmajor funds in the aggregate, to be provided in the fund financial statements.

GASB Statements No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, require governments to record and present net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources and pension expenses. These standards further prescribe the methods and assumptions that are to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of service.

Condition:

The South Cook Intermediate Service Center #4 does not have sufficient internal controls over the financial reporting process. The South Cook Intermediate Service Center #4 maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the South Cook Intermediate Service Center #4 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

During review of the South Cook Intermediate Service Center #4's financial information prepared by the South Cook Intermediate Service Center #4, auditors noted the ISC's financial information required material adjusting entries to accounts receivable, accounts payable, accrued payroll and unearned revenue in order to present its financial statements in accordance with generally accepted accounting principles. Proposed adjusting entries were approved and accepted by ISC management.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)
For the Year Ended June 30, 2015

Finding No. 2015–001– Controls Over Financial Statement Preparation (Repeat of Prior Year Findings 14–001, 13–001, 12–1, 11–1, 10–1, 09–1 and 08–1) (Concluded)

Condition (Concluded):

Through inquiries and discussions with the South Cook Intermediate Service Center #4's accounting personnel and Executive Director, auditors noted that the ISC did not have adequate controls to record and report the ISC's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources and pension expenses in accordance with GAAP.

Effect:

The South Cook Intermediate Service Center #4 management or its employees, in the normal course of performing their assigned functions, may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Cause:

According to South Cook Intermediate Service Center #4 officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements.

Additionally, the complex requirements of GASB Statements No. 68 and No. 71 were new for fiscal year 2015 and will require additional time and training before the South Cook Intermediate Service Center #4 can fully implement the requirements on its own.

Recommendation:

As part of internal control over the preparation of financial statements, the South Cook Intermediate Service Center #4 should implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the South Cook Intermediate Service Center #4's activities and operations.

Management's Response:

South Cook Intermediate Service Center No. 4 has discussed the options concerning the capabilities of preparing financial statements, including complete footnote disclosures that would not require significant changes by the auditor. We believe that it would not be cost beneficial to hire another employee or service provider to perform such a task. South Cook Intermediate Service Center No. 4 is confident in the abilities of the accounting/bookkeeping staff to prepare cash basis financial information as needed for reporting purposes throughout the year. In addition, the Bloom Township Treasurer's Office also oversees all financial statement preparation. Management will pursue additional training when it is considered cost beneficial since training costs would take away from the funds available to provide educational services for the schools in the region.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III – FEDERAL AWARD FINDINGS
For the Year Ended June 30, 2015**

Instances of Noncompliance:

None

Significant Deficiencies:

None

Material Weaknesses:

None

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2015**

Corrective Action Plan

Finding No. 2015-001- Controls Over Financial Statement Preparation (Repeat of Prior Year Findings 14-001, 13-001, 12-1, 11-1, 10-1, 09-1 and 08-1)

Condition:

The South Cook Intermediate Service Center #4 does not have sufficient internal controls over the financial reporting process. The South Cook Intermediate Service Center #4 maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the South Cook Intermediate Service Center #4 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

During review of the South Cook Intermediate Service Center #4's financial information prepared by the South Cook Intermediate Service Center #4, auditors noted the ISC's financial information required material adjusting entries to accounts receivable, accounts payable, accrued payroll and unearned revenue in order to present its financial statements in accordance with generally accepted accounting principles. Proposed adjusting entries were approved and accepted by ISC management.

Through inquiries and discussions with the South Cook Intermediate Service Center #4's accounting personnel and Executive Director, auditors noted that the ISC did not have adequate controls to record and report the ISC's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources and pension expenses in accordance with GAAP.

Plan:

South Cook Intermediate Service Center No. 4 has discussed the options concerning the capabilities of preparing financial statements, including complete footnote disclosures that would not require significant changes by the auditor. We believe that it would not be cost beneficial to hire another employee or service provider to perform such a task. South Cook Intermediate Service Center No. 4 is confident in the abilities of the accounting/bookkeeping staff to prepare cash basis financial information as needed for reporting purposes throughout the year. In addition, the Bloom Township Treasurer's Office also oversees all financial statement preparation. Management will pursue additional training when it is considered cost beneficial since training costs would take away from the funds available to provide educational services for the schools in the region.

Anticipated Date of Completion:

Not Applicable

Name of Contact Person:

Dr. Vanessa Kinder, Executive Director

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2015**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
2014-001	Controls Over Financial Statement Preparation	Repeated

MANAGEMENT'S DISCUSSION AND ANALYSIS

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

The South Cook Intermediate Service Center #4 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year 2015 that ended on June 30, 2015. Readers are encouraged to consider the information in conjunction with the Intermediate Service Center's financial statements that follow.

2015 Financial Highlights

- Within the Governmental Funds, the General Fund revenues decreased by \$269,581 from \$3,000,848 in fiscal year 2014 to \$2,731,267 in fiscal year 2015. General Fund expenditures decreased by \$682,721 from \$4,194,227 in fiscal year 2014 to \$3,511,506 in fiscal year 2015. The majority of the decrease in revenue and expenditures is due to a reduction in the on-behalf payments made by the State.
- Within the Governmental Funds, the Special Revenue Fund revenue increased by \$341,640 from \$1,134,462 in fiscal year 2014 to \$1,476,102 in fiscal year 2015. The Special Revenue Fund expenditures decreased by \$19,656 from \$1,347,149 in fiscal year 2014 to \$1,327,493 in fiscal year 2015. The revenue increase is due to an increase in Title I Funding and an increase in license renewals.

Using This Annual Report

This report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Intermediate Service Center's financial activities.
- The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Intermediate Service Center as a whole and present an overall view of the Center's finances.
- Fund financial statements report the Intermediate Service Center's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information that is needed for a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains and supports the financial statements and supplementary information provides detailed information for each category of funds and about the non-major funds.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Reporting the South Cook Intermediate Service Center of Education #4 as a Whole

The Statement of Net Position and the Statement of Activities

The government-wide statements report information about the South Cook Intermediate Service Center #4 as a whole. The Statement of Net Position includes all of the assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid, using accounting methods similar to those used by private-sector companies.

The two government-wide statements report the Center's net position and how they have changed. Net position (the difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) are one way to measure the Center's financial health or position.

- Over time, increases or decreases in the net position can be an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Intermediate Service Center's overall health, additional non-financial factors, such as new laws, rules, regulations, and actions by officials at the state level need to be considered.

The government-wide financial statements present the Center's activities as both governmental and business-type activities. Local, state and federal aid finance most of these activities.

The fund financial statements provide detailed information about the South Cook Intermediate Service Center's funds, focusing on its most significant or "major" funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by state law. The South Cook Intermediate Service Center #4 established other funds to control and manage money for particular purposes.

The Center has two kinds of funds:

- 1) Governmental funds account for all of the Center's services. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Service Center's programs. The Service Center's Governmental Funds include: the General Fund, Education Fund, and Institute fund.

The governmental funds required financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances.

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Reporting the South Cook Intermediate Service Center of Education #4 as a Whole (Concluded)

- 2) Proprietary funds account for activities where the Intermediate Service Center charges customers for services. These funds are most similar to a business that operates for a profit. The Intermediate Service Center has two enterprise funds, Workshop Fund and the Finger Printing Fund.

The proprietary fund required financial statements include a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows.

Government– Wide Financial Analysis

As noted earlier, net position may serve, when examined over time, as one indicator of the financial position of the Intermediate Service Center. The net position at the end of fiscal year 2014 totaled \$7,294,088. At the end of fiscal year 2015, the net position was \$5,938,180. The analysis that follows provides a summary of the Center's net position as of June 30, 2015 and 2014, for the governmental and business-type activities.

**CONDENSED STATEMENT OF NET POSITION
June 30, 2015 and 2014**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$ 3,090,936	\$ 3,691,614	\$ 1,183,911	\$ 628,927	\$ 4,274,847	\$ 4,320,541
Capital Assets	3,011,414	3,159,182	-	-	3,011,414	3,159,182
Total Assets	<u>6,102,350</u>	<u>6,850,796</u>	<u>1,183,911</u>	<u>628,927</u>	<u>7,286,261</u>	<u>7,479,723</u>
Deferred Outflows of Resources	183,936	-	-	-	183,936	-
Current Liabilities	208,960	169,258	3,194	16,377	212,154	185,635
Noncurrent Liabilities	451,425	-	-	-	451,425	-
Total Liabilities	<u>660,385</u>	<u>169,258</u>	<u>3,194</u>	<u>16,377</u>	<u>663,579</u>	<u>185,635</u>
Deferred Inflows of Resources	868,438	-	-	-	868,438	-
Net Position						
Invested in capital assets	3,011,414	3,159,182	-	-	3,011,414	3,159,182
Restricted - other	493,112	337,268	-	-	493,112	337,268
Unrestricted	1,252,937	3,185,088	1,180,717	612,550	2,433,654	3,797,638
Total Net Position	<u>\$ 4,757,463</u>	<u>\$ 6,681,538</u>	<u>\$ 1,180,717</u>	<u>\$ 612,550</u>	<u>\$ 5,938,180</u>	<u>\$ 7,294,088</u>

The Intermediate Service Center's net position decreased by \$1,355,908 from Fiscal Year 2014 to Fiscal Year 2015. This decrease occurred primarily due to a required adjustment for deferred inflows of resources, deferred outflows of resources and a pension liability.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

The following analysis shows the changes in net position for the years ended June 30, 2015 and 2014.

**CHANGES IN NET POSITION
For the Years Ended June 30, 2015 and 2014**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Operating Grants/ Contributions	\$ 1,388,696	\$ 1,844,910	\$ -	\$ -	\$ 1,388,696	\$ 1,844,910
Charges for Services	-	-	660,762	416,748	660,762	416,748
General Revenues:						
Local Sources	1,903,937	1,706,480	-	-	1,903,937	1,706,480
State Sources	893,733	-	-	-	893,733	-
On-behalf payments State	775,916	569,105	-	-	775,916	569,105
Loss on disposal of capital assets	(1,618)	-	-	-	(1,618)	-
Interest	-	-	36,747	7,276	36,747	7,276
Total Revenues	4,960,664	4,120,495	697,509	424,024	5,658,173	4,544,519
Program Expenses:						
Salaries and benefits	3,400,260	3,394,116	3,068	3,032	3,403,328	3,397,148
Purchased services	1,102,474	1,379,684	120,368	131,668	1,222,842	1,511,352
Supplies and materials	156,865	135,715	5,906	1,472	162,771	137,187
Other objects	26,472	34,463	-	-	26,472	34,463
Depreciation	171,548	176,650	-	-	171,548	176,650
Capital outlay	16,585	(89,226)	-	-	16,585	(89,226)
Pension expense (income)	(95,318)	-	-	-	(95,318)	-
On-behalf payments	775,916	569,105	-	-	775,916	569,105
Total Expense	5,554,802	5,600,507	129,342	136,172	5,684,144	5,736,679
Increase (Decrease) in Net Position	(594,138)	(1,480,012)	568,167	287,852	(25,971)	(1,192,160)
Net Position – Beginning restated see Note 12	5,351,601	8,161,550	612,550	324,698	5,964,151	8,486,248
Net Position – Ending	<u>\$ 4,757,463</u>	<u>\$ 6,681,538</u>	<u>\$ 1,180,717</u>	<u>\$ 612,550</u>	<u>\$ 5,938,180</u>	<u>\$ 7,294,088</u>

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Governmental Activities

Revenues for governmental activities were \$4,960,664 and expenditures were \$5,554,802 for the year ended June 30, 2015. Revenues for governmental activities were \$4,120,495 and expenditures were \$5,600,507 for the year ended June 30, 2014. Revenues increased due to increases in on-behalf payments, funding from Title I and license renewals. Expenses remained consistent with the prior year.

Business-type Activities

Revenues for business-type activities were \$660,762 and expenses were \$129,342 for the year ended June 30, 2015. Revenues for business-type activities were \$416,748 and expenses were \$136,172 for the year ended June 30, 2014. The increase in revenues is due primarily to increased activity in the workshop fund. Expenses were consistent with the prior year.

Financial analysis of the South Cook Intermediate Service Center #4 Funds

As previously noted, the South Cook Intermediate Service Center #4 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Center's Governmental Funds reported combined fund balances of \$3,513,606 at June 30, 2014 compared to fiscal year 2015's ending fund balance of \$2,881,976. The decrease in fund balances is due primarily to the expenses exceeding revenues in the general fund.

Budgetary Highlights

The South Cook Intermediate Service Center #4 annually adopts budgets for several funds. The Executive Director annually prepares an Operations Budget and submits it to the Board for their approval. All grant budgets are prepared by the South Cook Intermediate Service Center #4 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency.

Capital Assets

Capital assets of the South Cook Intermediate Service Center #4 include office equipment, computers, audio-visual equipment, office furniture, and building improvements. The South Cook Intermediate Service Center #4 maintains an inventory of capital assets that have been accumulated over time. During the year ended June 30, 2015, South Cook Intermediate Service Center #4 purchased assets totaling \$25,398 and deleted assets totaling \$4,413, resulting in an ending balance of \$3,011,414. In addition, the South Cook Intermediate Service Center #4 has adopted a depreciation schedule that reflects the level of Net Governmental Activities Capital Assets. More detailed information about capital assets is available in Note 7 of the financial statements.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Economic Factors and Next Year's Budget

At the time these financial statements were prepared and audited, the South Cook Intermediate Service Center #4 was aware of an existing circumstance that could affect its financial health in the future:

- The possibility of continued reduction of state, federal programs and general state aid.

Contacting the Intermediate Service Center's Financial Management

This financial report is designed to provide the Intermediate Service Center's citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact The Executive Director of the South Cook Intermediate Service Center #4 at 253 West Joe Orr Road, Chicago Heights, IL 60411 or (708)754-6600.

BASIC FINANCIAL STATEMENTS

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,950,026	\$ 1,163,363	\$ 4,113,389
Accounts receivable	-	20,548	20,548
Due from other governments:			
Local	108,438	-	108,438
State	25,144	-	25,144
Federal	7,328	-	7,328
Total current assets	<u>3,090,936</u>	<u>1,183,911</u>	<u>4,274,847</u>
NONCURRENT ASSETS:			
Capital assets, net of depreciation	<u>3,011,414</u>	<u>-</u>	<u>3,011,414</u>
TOTAL ASSETS	<u>6,102,350</u>	<u>1,183,911</u>	<u>7,286,261</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>183,936</u>	<u>-</u>	<u>183,936</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	35,898	3,194	39,092
Accrued payroll and employee benefits	157,914	-	157,914
Unearned revenue	15,148	-	15,148
Total current liabilities	<u>208,960</u>	<u>3,194</u>	<u>212,154</u>
NONCURRENT LIABILITIES			
Net pension liability	<u>451,425</u>	<u>-</u>	<u>451,425</u>
TOTAL LIABILITIES	<u>660,385</u>	<u>3,194</u>	<u>663,579</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>868,438</u>	<u>-</u>	<u>868,438</u>
NET POSITION			
Investment in capital assets	3,011,414	-	3,011,414
Restricted-other	493,112	-	493,112
Unrestricted	1,252,937	1,180,717	2,433,654
TOTAL NET POSITION	<u><u>\$ 4,757,463</u></u>	<u><u>\$ 1,180,717</u></u>	<u><u>\$ 5,938,180</u></u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

FUNCTIONS/PROGRAMS	Net (Expense) Revenue and Changes in Net Position					
	Expenses	Program Revenues		Primary Government		
		Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT						
Governmental Activities:						
Instructional Services:						
Salaries and benefits	\$ 3,400,260	\$ -	\$ 908,877	\$ (2,491,383)	\$ -	\$ (2,491,383)
Purchased services	1,102,474	-	430,320	(672,154)	-	(672,154)
Supplies and materials	156,865	-	7,516	(149,349)	-	(149,349)
Other objects	26,472	-	-	(26,472)	-	(26,472)
Depreciation	171,548	-	-	(171,548)	-	(171,548)
Capital outlay	16,585	-	41,983	25,398	-	25,398
Pension expense (income)	(95,318)	-	-	95,318	-	95,318
Administrative:						
On-behalf payments	775,916	-	-	(775,916)	-	(775,916)
Total Governmental Activities	<u>5,554,802</u>	<u>-</u>	<u>1,388,696</u>	<u>(4,166,106)</u>	<u>-</u>	<u>(4,166,106)</u>
Business-type Activities:						
Charges for services	129,342	660,762	-	-	531,420	531,420
Total Business-type Activities	<u>129,342</u>	<u>660,762</u>	<u>-</u>	<u>-</u>	<u>531,420</u>	<u>531,420</u>
Total Primary Government	<u>\$ 5,684,144</u>	<u>\$ 660,762</u>	<u>\$ 1,388,696</u>	<u>(4,166,106)</u>	<u>531,420</u>	<u>(3,634,686)</u>
General Revenues:						
Local sources				1,903,937	-	1,903,937
State sources				893,733	-	893,733
On-behalf payments				775,916	-	775,916
Loss on disposal of assets				(1,618)	-	(1,618)
Interest				-	36,747	36,747
Total General Revenues				<u>3,571,968</u>	<u>36,747</u>	<u>3,608,715</u>
Change in net position				(594,138)	568,167	(25,971)
Net Position - beginning (restated - See Note 12)				<u>5,351,601</u>	<u>612,550</u>	<u>5,964,151</u>
Net Position - ending				<u>\$ 4,757,463</u>	<u>\$ 1,180,717</u>	<u>\$ 5,938,180</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Education Fund	Nonmajor Special Revenue Fund Institute Fund	Eliminations	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,450,151	\$ 58,374	\$ 441,501	\$ -	\$ 2,950,026
Due from other funds	29,126	-	-	(29,126)	-
Due from other governments:					
Local	85,598	22,840	-	-	108,438
State	22,129	3,015	-	-	25,144
Federal	-	7,328	-	-	7,328
TOTAL ASSETS	\$ 2,587,004	\$ 91,557	\$ 441,501	\$ (29,126)	\$ 3,090,936
LIABILITIES					
Accounts payable	\$ 18,428	\$ 17,470	\$ -	\$ -	\$ 35,898
Accrued payroll and employee benefits	157,914	-	-	-	157,914
Due to other funds	21,798	7,328	-	(29,126)	-
Unearned revenue	-	15,148	-	-	15,148
Total Liabilities	198,140	39,946	-	(29,126)	208,960
FUND BALANCES					
Restricted	-	51,611	441,501	-	493,112
Assigned	2,385,239	-	-	-	2,385,239
Unassigned	3,625	-	-	-	3,625
Total fund balance	2,388,864	51,611	441,501	-	2,881,976
TOTAL LIABILITIES, AND FUND BALANCE	\$ 2,587,004	\$ 91,557	\$ 441,501	\$ (29,126)	\$ 3,090,936

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2015**

Total fund balances - governmental funds		\$ 2,881,976
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities that are not financial resources, and therefore, are not reported in the funds.</p>		3,011,414
<p>Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds as follows:</p>		
Deferred outflows of resources	\$ 183,936	
Deferred inflows of resources	<u>(868,438)</u>	(684,502)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds</p>		
Net pension liability		<u>(451,425)</u>
Net position of governmental activities		<u><u>\$ 4,757,463</u></u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General Fund	Education Fund	Nonmajor Special Revenue Fund Institute Fund	Eliminations	Total Governmental Funds
REVENUES					
State sources	\$ 1,287,149	\$ 337,618	\$ -	\$ -	\$ 1,624,767
Federal sources	-	657,662	-	-	657,662
Local sources	1,431,865	144,730	336,092	-	1,912,687
On-behalf payments	12,253	-	-	-	12,253
Total revenues	<u>2,731,267</u>	<u>1,140,010</u>	<u>336,092</u>	<u>-</u>	<u>4,207,369</u>
EXPENDITURES					
Instructional services					
Salaries and benefits	2,694,694	549,714	155,852	-	3,400,260
Purchased services	528,056	573,744	674	-	1,102,474
Supplies and materials	147,478	9,217	170	-	156,865
Other objects	26,472	-	-	-	26,472
On-behalf payments	12,253	-	-	-	12,253
Pension expense	60,570	28,029	10,093	-	98,692
Capital outlay	41,983	-	-	-	41,983
Total expenditures	<u>3,511,506</u>	<u>1,160,704</u>	<u>166,789</u>	<u>-</u>	<u>4,838,999</u>
Excess/(Deficiency) of revenues over (under) expenditures	<u>(780,239)</u>	<u>(20,694)</u>	<u>169,303</u>	<u>-</u>	<u>(631,630)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	700	1,685	-	(2,385)	-
Transfers out	(1,685)	(700)	-	2,385	-
Total other financing sources (uses)	<u>(985)</u>	<u>985</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(781,224)	(19,709)	169,303	-	(631,630)
FUND BALANCES - BEGINNING OF YEAR					
(restated - See Note 12)	3,170,088	71,320	272,198	-	3,513,606
FUND BALANCES - END OF YEAR	<u>\$ 2,388,864</u>	<u>\$ 51,611</u>	<u>\$ 441,501</u>	<u>\$ -</u>	<u>\$ 2,881,976</u>

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015**

Net change in fund balances \$ (631,630)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures, however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 25,398	
Loss on sale of fixed assets	(1,618)	
Depreciation expense	<u>(171,548)</u>	(147,768)

Some revenues will not be collected for several months after the ISC fiscal year ends; they are not considered "available" revenues and are deferred in the governmental funds.

Prior year unavailable revenue		
Local sources		(8,750)

Governmental funds report pension contributions as expenditures.

However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions	\$ 98,692	
Cost of benefits earned, net	<u>95,318</u>	<u>194,010</u>

Change in net position of governmental activities \$ (594,138)

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Business-type Activities - Enterprise Funds		
	Nonmajor Enterprise Fund -		
	Workshop Fund	Fingerprinting Fund	Total
Assets			
Cash and cash equivalents	\$ 1,126,211	\$ 37,152	\$ 1,163,363
Accounts receivable	20,548	-	20,548
Total Assets	1,146,759	37,152	1,183,911
Liabilities			
Accounts payable	3,194	-	3,194
Total Liabilities	3,194	-	3,194
Net Position			
Unrestricted	1,143,565	37,152	1,180,717
Total Net Position	\$ 1,143,565	\$ 37,152	\$ 1,180,717

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds		Total
	Workshop Fund	Nonmajor Enterprise Fund - Fingerprinting Fund	
Operating Revenues			
Charges for services	\$ 624,762	\$ 36,000	\$ 660,762
Operating Expenses			
Salaries	-	2,269	2,269
Benefits	-	799	799
Purchased services	101,507	18,861	120,368
Supplies	5,782	124	5,906
Total operating expenses	107,289	22,053	129,342
Excess/(Deficiency) of revenues over under expenditures	517,473	13,947	531,420
Other Financing Sources			
Interest	36,747	-	36,747
Total Other Financing Sources	36,747	-	36,747
Change in Net Position	554,220	13,947	568,167
Net Position, Beginning of year	589,345	23,205	612,550
Net Position, End of year	\$1,143,565	\$ 37,152	\$ 1,180,717

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds		
	Workshop	Non Major Enterprise Fund Fingerprinting	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 613,484	\$ 36,000	\$ 649,484
Payments to suppliers and providers of goods and services	(120,472)	(18,985)	(139,457)
Payments to employees	-	(3,068)	(3,068)
Net cash provided by operating activities	<u>493,012</u>	<u>13,947</u>	<u>506,959</u>
Cash Flows from Investing Activities			
Interest	<u>36,747</u>	-	<u>36,747</u>
Net cash provided by investing activities	<u>36,747</u>	-	<u>36,747</u>
Net increase in cash and cash equivalents	529,759	13,947	543,706
Cash and cash equivalents - Beginning of year	<u>596,452</u>	<u>23,205</u>	<u>619,657</u>
Cash and cash equivalents - End of year	<u>\$ 1,126,211</u>	<u>\$ 37,152</u>	<u>\$ 1,163,363</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 517,473	\$ 13,947	\$ 531,420
Adjustments to reconcile operating income to net cash provided by operating activities:			
(Increase)/decrease in assets:			
Accounts receivable	(11,278)	-	(11,278)
Increase/(Decrease) in liabilities:			
Accounts payable	<u>(13,183)</u>	<u>-</u>	<u>(13,183)</u>
Net cash provided by operating activities	<u>\$ 493,012</u>	<u>\$ 13,947</u>	<u>\$ 506,959</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The portion of Cook County, Illinois constitutes a Regional Office of Education established pursuant to Section 3A-4 of the Illinois School Code (105 ILCS 5/3A-4) and has an oversight board responsible for the duties and programs specified in Section 3A-17 of the Illinois School Code administered through three (3) Intermediate Service Centers (North Cook, West Cook, and South Cook).

South Cook now known as South Cook Intermediate Service Center #4 (ISC #4), includes the area within the territorial boundaries of the following school districts:

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

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

South Cook Intermediate Service Center #4 is governed by an eleven member board. The administrative agent designated for this Center is Chicago Heights, School District 170. 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; and
- Teacher Certification.

South Cook Intermediate Service Center #4 may also provide training, technical assistance, coordination and planning in other program areas. The State Board of Education shall promulgate rules and regulations necessary to operate South Cook Intermediate Service Center #4.

A. DATE OF MANAGEMENT’S REVIEW

South Cook Intermediate Service Center #4 has evaluated subsequent events through March 2, 2016 the date when the financial statements were available to be issued.

B. REPORTING ENTITY

South Cook Intermediate Service Center #4 provides educational services to sixty-six member school districts and is governed by the Governing Board. Operations are conducted through one of its member districts which acts as its administrative agent.

These financial statements include South Cook Intermediate Service Center #4 and its component units, entities for which it is considered financially accountable. As defined by GASB Statement 14, "*The Financial Reporting Entity*", South Cook Intermediate Service Center #4 is not financially accountable for any other entity nor are there any other entities for which the nature and significance of their relationship with South Cook Intermediate Service Center #4 are such that exclusion would cause South Cook Intermediate Service Center #4's financial statements to be misleading or incomplete.

Based upon the above criteria, Intermediate Service Center #4 is not aware of any entity which would be financially accountable for Intermediate Service Center #4, which would result in Intermediate Service Center #4 being considered a component unit.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. NEW ACCOUNTING PRONOUNCEMENTS

In 2015, The South Cook Intermediate Service Center #4 implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB no. 27*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The South Cook Intermediate Service Center #4 implemented these standards during the current year. The implementation of GASB Statement No. 68 established new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position was expected to include a significant liability for the government’s proportionate share of employee pension plan. The implementation of GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The implementation of GASB No. 71 resolves an issue related to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

D. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Intermediate Service Center #4’s activities with most of the interfund activities removed. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues. The Intermediate Service Center #4 has two business-type activities that rely on fees and charges for support.

The Intermediate Service Center #4’s government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Intermediate Service Center #4 accompanied by a total column. These statements are presented on an “economic resources” measurement focus as prescribed by GASB Statement No. 34. All of the Intermediate Service Center #4’s assets and deferred outflows of resources and liabilities and deferred inflows of resources, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services, and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenue.

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

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Concluded)

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as, payables, receivables and transfers. Interfund activities between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and proprietary fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and on the proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Position.

All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and business-type funds remain as due to/due from on the government-wide financial statements. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities. The purpose of interfund borrowing and permanent transfers is to cover temporary or permanent short falls in cash flow within grant programs and funds.

E. PROPRIETARY FUND FINANCIAL STATEMENTS

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and nonmajor funds aggregated.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. GOVERNMENTAL FUND FINANCIAL STATEMENTS

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

The governmental fund financial statements have been prepared, in accordance with generally accepted accounting principles, on the modified accrual basis. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, typically 60 days. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for prepaid expenses and other long-term obligations, which are recognized when paid. Revenues received more than 60 days after the end of the current period are deferred inflows of resources in the government fund financial statements but are recognized as current revenues in the government-wide financial statements.

G. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

The governmental funds financial statements focus on the measurement of spending or "financial flow" and the determination of changes in financial position, rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets.

Their reported fund balance (net current position) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Intermediate Service Center #4; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Concluded)

Under the terms of grant agreements, South Cook Intermediate Service Center #4 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is the South Cook Intermediate Service Center #4's policy to first apply restricted funds, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned if any.

H. FUND ACCOUNTING

The Intermediate Service Center #4 uses funds to maintain its financial records during the year. A fund is defined as an independent fiscal and accounting entity with a self balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures or expenses, as appropriate. The Intermediate Service Center #4 uses governmental and proprietary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are reported. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as a fund balance.

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a two-step process for determining if a fund should be reported as a major fund: 1) total assets (including deferred outflows of resources), liabilities (including deferred inflows of resources), revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and 2) total assets (including deferred outflows of resources), liabilities (including deferred inflows of resources), revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds. The Intermediate Service Center #4 has presented all major funds that met the above qualifications.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

The Intermediate Service Center #4 reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Intermediate Service Center #4 and is used to account for financial resources within the territorial boundaries of the Center except those required to be accounted for and reported in another fund. The following accounts are included in the General Fund:

Regional Safe School – This program provides funding for an alternative school program for disruptive youth in grades 6–12 whom have been removed from the regular school setting due to continuous disruptions in the classroom.

RISE – Regional Institute for Scholastic Excellence (RISE) is an alternative school program serving students from grades 6 – 12 who are eligible for suspension or expulsion, or who have been suspended or may be expelled, due to gross misconduct. The RISE program is offered to students by the local public school districts serviced by the South Cook ISC as an optional educational opportunity for students who may be expelled, are suspended, or at risk of failure or dropout.

Spelling Bee – This program is used to account for local monies received for, and payment of, expenditures by the Spelling Bee program which administers the Regional Scripps Spelling Bee and provides for the champion and a parent to attend the National Spelling Bee in Washington, DC.

Squeeze and Read – This program is used to account for local monies received for, and payment of, expenditures by the Squeeze ‘N Reads™ program which is a multi-sensory tool designed to teach students to use, apply and internalize reading comprehension strategies. Squeeze ‘N Reads™ complement classroom instruction and engage students as they apply comprehension strategies to text.

Special Revenue Fund – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources (other than fiduciary and major capital projects) that are restricted to expenditures for specified purposes.

Major special revenue funds include the following:

Institute Fund – This program accounts for teacher certificate registration, issuance and evaluation fees for processing certificates, and expenses for meetings of a professional nature. All funds generated remain restricted until expended only on the aforementioned activities.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

Education Fund – This fund is used to account for and report the proceeds of specific revenue sources that are restricted by grant agreements or contracts to expenditures for specified purposes supporting education enhancement programs as follows:

English as a Second Language – This program is used to account for grant monies received for, and payment of, expenditures to teach children for whom English is a second language.

McKinney–Vento Education for Homeless Children and Youth – This program uses federal funds to provide training and technical assistance to school districts to assist school officials in understanding and complying with the McKinney–Vento Act.

ROE/ISC Operations – This program is used to account for grant monies received for, and payment of, expenditures to assist schools in all areas of school improvement.

Health and Life Safety Program – This program uses funds to inspect all public school buildings and school-related buildings on an annual basis to assure compliance with standards necessary to ensure the health and safety of public schools in Illinois.

South Cook Mathematics Initiative – This program is used to account for grant monies received for, and payment of, expenditures to improve the teaching and learning of mathematics for grades six through nine.

Title I – School Improvement and Accountability – This program uses federal funding to provide assistance to those schools/school districts that do not meet Adequate Yearly Progress (AYP) as defined by the No Child Left Behind Act.

Title II – Teacher Quality – Leadership Grant – This program is used to account for federal grant monies received for, and payment of, expenditures related to providing teachers and principals training in teacher and principal evaluations.

Title IV – This program received federal funds through the Learn & Serve grant that provided community service and career oriented activities for RISE students.

ARRA State Aid – To account for grant monies received for, and payment of expenditures for the unrestricted State grant–in aid to school districts which are directly received from the Illinois State Board of Education.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Concluded)

GOVERNMENTAL FUNDS (Concluded)

PROPRIETARY FUNDS

Proprietary funds are those which account for resources from fees charged directly to those entities or individuals that use its services. Proprietary funds are as follows:

Workshops Fund –This fund is used to account for the various fees charged for local workshops that provide professional development to area educators.

Fingerprinting Fund – The Fingerprinting Fund is used to account for the administration of the Fingerprinting Program.

I. GOVERNMENTAL FUND BALANCES

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

Nonspendable Fund Balance – the portion of a Governmental Fund’s net position that is not available to be spent, either short term or long term, in either form or through legal restrictions. There are no accounts presenting a nonspendable fund balance.

Restricted Fund Balance – the portion of a Governmental Fund’s net position that is subject to external enforceable legal restrictions. The Health and Life Safety, and South Cook Mathematics Initiative program present restricted fund balances. The following funds are restricted by Illinois Statute: Institute Fund.

Committed Fund Balance – the portion of a Governmental Fund’s net position 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.

Assigned Fund Balance – the portion of a Governmental Fund’s net position for which an intended use of resources has been denoted. The accounts presented with assigned fund balances are specified for a particular purpose by the Executive Director. The following funds have assigned fund balances: RISE.

Unassigned Fund Balance – the portion of a Governmental Fund’s net position that are expendable financial resources in a governmental fund that are not designated for a specific purpose. The following funds present unassigned fund balances: Squeeze and Read.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. NET POSITION

Equity is classified as net position and displayed in three components:

Investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowing, if any, that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

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

K. BUDGET INFORMATION

The South Cook Intermediate Service Center #4 acts as the administrative agent for certain grant programs that are accounted for in the General and Education Fund. Certain programs have separate budgets and are required to report to the Illinois State Board of Education, however, none of the annual budgets have been legally adopted nor are they required to do so. Comparisons of budgeted and actual results are presented as supplemental information.

Budgetary comparison schedules have been provided in supplementary schedules for the following funds: Regional Safe School, McKinney – Vento Education for Homeless Children and Youth, ROE/ISC Operations, Health and Life Safety Program, Title I – School Improvement and Accountability, and Title II – Teacher Quality – Leadership Grant.

L. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash on deposit. The Intermediate Service Center #4 considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight–line basis over the following estimated useful lives:

Furniture & Equipment	5 – 15 years
Buildings	40 years

In the fund financial statements, fixed assets used in governmental operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

N. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. UNEARNED REVENUE

The Intermediate Service Center #4 reports unearned revenue in the governmental fund Balance Sheet. Unearned revenue arises when grant funds received are unexpended or obligated at year end.

P. REVENUE FROM FEDERAL AND STATE GRANTS

Revenues from federal and State grant awards are recorded net of the amount due to the State or federal agency for unused portion of the grant or the amount carried over to the following fiscal year project. Amounts due to the State or federal agency are carried over to the following project year and are recorded as liabilities.

Q. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Q. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES
(Concluded)

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

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

NOTE 2 – DEPOSITS AND INVESTMENTS

The Intermediate Service Center #4 does not have a formal investment policy. The Intermediate Service Center #4 is allowed to invest in securities as authorized by 30 ILCS–235/2 and 6 and 105 ILCS–5/8–7.

A. BANK DEPOSITS

At June 30, 2015, the carrying amount of the Intermediate Service Center #4's Government-wide deposits were \$4,113,389, and the bank balances were \$4,113,851. Of the total bank balances as of June 30, 2015, \$14,468 was secured by federal depository insurance, \$67,631 was invested in Illinois Funds Money Market Fund and \$4,031,752 was in the pooled cash and investment accounts of the Bloom Township School Treasurer.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits with financial institutions is the risk that, in the event of bank failure, the ISC's deposits may not be returned to it. To guard against custodial credit risk for deposits with financial institutions, the South Cook Intermediate Service Center #4's investment policy requires that deposits with financial institutions in excess of FDIC limits be secured by some form of collateral, by a written agreement, and held at an independent, third-party institution in the name of the South Cook Intermediate Service Center #4.

B. INVESTMENTS

The Intermediate Service Center #4's, only investments are internally pooled in the Illinois Funds Money Market Fund. As of June 30, 2015, the Intermediate Service Center #4 had investments with carrying and fair value of \$67,631 invested in the Illinois Funds Money Market Fund.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS (Concluded)

CREDIT RISK

At June 30, 2015, the Illinois Funds Money Market Fund had a Standard and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provision of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

INTEREST RATE RISK

The Illinois Funds Money Market Fund, created by the Illinois General Assembly, enables custodians of public funds an investment option with a competitive rate of return on fully collateralized investments and immediate access to the funds. The investment policy of the Illinois Funds Money Market Funds 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.

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.

NOTE 3 – RETIREMENT FUND COMMITMENTS – ILLINOIS MUNICIPAL RETIREMENT FUND

Plan Description

The South Cook Intermediate Service Center #4's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The South Cook Intermediate Service Center #4's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of an agent multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

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

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 – RETIRMENT FUND COMMITMENTS – ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

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, 2014, the following employees were covered by the benefit terms:

	IMRF
Retirees and beneficiaries currently receiving benefits	13
Inactive Plan Members entitled to but not yet receiving benefits	45
Active Plan Members	25
Total	83

Contributions

As set by statute, the South Cook Intermediate Service Center #4’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 South Cook Intermediate Service Center #4’s annual contribution rate for calendar year 2014 was 12.27%. For the calendar year ended 2014, the South Cook Intermediate Service Center #4 contributed \$102,270 to the plan. The South Cook Intermediate Service Center #4 also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF’s Board of Trustees, while the supplemental retirement benefits rate is set by statute.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 – RETIREMENT FUND COMMITMENTS – ILLINOIS MUNICIPAL
RETIREMENT FUND (Continued)

Net Pension Liability

The South Cook Intermediate Service Center #4's net pension liability was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2014:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 3.5%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 – RETIRMENT FUND COMMITMENTS – ILLINOIS MUNICIPAL
RETIREMENT FUND (Continued)

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	7.60%
International Equity	17%	7.80%
Fixed Income	27%	3.00%
Real Estate	8%	6.15%
Alternative Investments	9%	5.25-8.50%
Cash Equivalents	1%	2.25%
Total	100%	

Single Discount Rate

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

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.56%, and the resulting single discount rate is 7.50%.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 – RETIREMENT FUND COMMITMENTS – ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2013	\$ 2,250,066	\$ 2,181,973	\$ 68,093
Changes for the year:			
Service Cost	107,890	-	107,890
Interest on the Total Pension Liability	170,633	-	170,633
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual			
Experience of the Total Pension Liability	13,349	-	13,349
Changes of Assumption	87,624	-	87,624
Contributions - Employer	-	102,270	(102,270)
Contributions - Employees	-	38,224	(38,224)
Net Investment Income	-	115,205	(115,205)
Benefit Payments, including Refunds			
of Employee Contributions	(59,061)	(59,061)	-
Other (Net Transfer)	-	1,521	(1,521)
Net Changes	<u>320,435</u>	<u>198,159</u>	<u>122,276</u>
Balances at December 31, 2014	<u><u>\$ 2,570,501</u></u>	<u><u>\$ 2,380,132</u></u>	<u><u>\$ 190,369</u></u>

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

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

	1% Lower 6.50%	Current Discount 7.50%	1% Higher 8.50%
Net Pension Liability (Asset)	\$ 618,674	\$ 190,369	\$ (153,889)

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

For the year ended June 30, 2015, the South Cook Intermediate Service Center #4 recognized pension expense of \$113,026. At June 30, 2015, the South Cook Intermediate Service Center #4 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 – RETIRMENT FUND COMMITMENTS – ILLINOIS MUNICIPAL
RETIREMENT FUND (Concluded)

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ 9,353	\$ -
Changes of assumptions	61,394	-
Net difference between projected and actual earnings on pension plan investments	<u>40,772</u>	<u>-</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>111,519</u>	<u>-</u>
<i>Pension Contributions made subsequent to the Measurement Date</i>	<u>50,858</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u><u>\$ 162,377</u></u>	<u><u>\$ -</u></u>

\$50,858 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending December 31	Net Deferred Outflows of Resources
2015	\$ 40,417
2016	40,417
2017	20,494
2018	10,192
2019	-
Thereafter	-
Total	<u><u>\$ 111,520</u></u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 – RETIREMENT FUND COMMITMENTS – TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The South Cook Intermediate Service Center #4 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at <http://trs.illinois.gov/pubs/cafr>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 877-0890, option 2.

Benefits provided

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

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

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

Contributions

The State of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90 percent of the total actuarial liabilities of the System by the end of fiscal year 2045.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 – RETIREMENT FUND COMMITMENTS – TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

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, 2015, was 9.4 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by South Cook Intermediate Service Center #4.

On behalf contributions to TRS. The state of Illinois makes employer pension contributions on behalf of the South Cook Intermediate Service Center #4. For the year ended June 30, 2015, State of Illinois contributions recognized by the South Cook Intermediate Service Center #4 were based on the State's proportionate share of the collective net pension liability associated with the South Cook Intermediate Service Center #4, and the South Cook Intermediate Service Center #4 recognized revenue and expenditures of \$763,663 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, 2015, were \$9,351 and are deferred because they were paid after the June 30, 2014 measurement date.

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by the South Cook Intermediate Service Center #4, there is a statutory requirement for the South Cook Intermediate Service Center #4 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2015, the employer pension contribution was 33.00 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2015, salaries totaling \$36,577 were paid from federal and special trust funds that required employer contributions of \$12,070. These contributions are deferred because they were paid after June 30, 2014, measurement date.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 – RETIREMENT FUND COMMITMENTS – TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

Employer retirement cost contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The South Cook Intermediate Service Center #4 is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the current program is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2015, the South Cook Intermediate Service Center #4 paid no employer ERO contributions to TRS.

The South Cook Intermediate Service Center #4 is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2015, the South Cook Intermediate Service Center #4 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.

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

At June 30, 2015, the South Cook Intermediate Service Center #4 reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for State pension support provided to the employer. The State's support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employer's proportionate share of the net pension liability	\$ 261,056
State's proportionate share of the net pension liability associated with the employer	9,485,250
 Total	 <u><u>\$ 9,746,306</u></u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, and rolled forward to June 30, 2014. The South Cook Intermediate Service Center #4's proportion of the net pension liability was based on the employer's share of contributions to TRS for the measurement year ended June 30, 2014, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2014, the South Cook Intermediate Service Center #4 's proportion was 0.0004289567 percent.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 – RETIREMENT FUND COMMITMENTS – TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

The net pension liability as of the beginning of this first measurement period under GASB Statement No. 68 was measured as of June 30, 2013, and the total pension liability was based on the June 30, 2013, actuarial valuation without any roll-up. The South Cook Intermediate Service Center #4's proportion of the net pension liability as of June 30, 2013, was based on the South Cook Intermediate Service Center #4's share of contributions to TRS for the measurement year ended June 30, 2013, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2013, the South Cook Intermediate Service Center #4's proportion was .0021255792 percent.

For the year ended June 30, 2015, the South Cook Intermediate Service Center #4 recognized pension expense of \$763,663 and revenue of \$763,663 for support provided by the State. For the year ended June 30, 2015, South Cook Intermediate Service Center #4 recognized pension expense of \$(186,996). At June 30, 2015, the South Cook Intermediate Service Center #4 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 138	\$ -
Net difference between projected and actual earnings on pension plan investments	-	13,120
Changes of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	855,318
Employer contributions subsequent to the measurement date	21,421	-
Total	<u><u>\$ 21,559</u></u>	<u><u>\$ 868,438</u></u>

\$21,421 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (210,848)
2017	(210,848)
2018	(210,848)
2019	(210,848)
2020	(24,908)
	<u><u>\$ (868,300)</u></u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 – RETIREMENT FUND COMMITMENTS – TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

Actuarial assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	5.75 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense including inflation

Mortality rates were based on the RP-2000 White Collar Table with projections using scale AA that vary by member group.

For GASB disclosure purposes, the actuarial assumptions for the years ended June 30, 2014 and 2013 were assumed to be the same. However, for funding purposes, the actuarial valuations for those two years were different. The actuarial assumptions used in the June 30, 2014 valuation were based on updates to economic assumptions adopted in 2014 which lowered the investment return assumption from 8.0 percent to 7.5 percent. The salary increase and inflation assumptions were also lowered. The actuarial assumptions used in the June 30, 2013 valuation were based on the 2012 actuarial experience analysis and first adopted in the June 30, 2012 valuation. The investment return assumption was lowered from 8.5 percent to 8.0 percent and the salary increase and inflation assumptions were also lowered. Mortality assumptions were adjusted to anticipate continued improvement in mortality.

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

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 – RETIREMENT FUND COMMITMENTS – TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. large cap	18%	8.23%
Global equity excluding U.S.	18	8.58
Aggregate Bonds	16	2.27
U.S. TIPS	2	3.52
NCREIF	11	5.81
Opportunistic real estate	4	9.79
ARS	8	3.27
Risk parity	8	5.57
Diversified inflation strategy	1	3.96
Private equity	14	13.03
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and State contributions will be made at the current statutorily–required rates.

Based on those assumptions, TRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I's liability is partially–funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Therefore, the long–term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the South Cook Intermediate Service Center #4's proportionate share of the net pension liability to changes in the discount rate

The following presents the South Cook Intermediate Service Center #4's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the South Cook Intermediate Service Center #4's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1–percentage–point lower (6.5 percent) or 1–percentage–point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share of net pension liability	\$ 322,391	\$ 261,056	\$ 210,263

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 – RETIREMENT FUND COMMITMENTS – TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Concluded)

TRS fiduciary net position

Detailed information about the TRS's fiduciary net position as of June 30, 2014 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS

A. TEACHER HEALTH INSURANCE SECURITY FUND

The South Cook Intermediate Service Center #4 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the State administered participating provider option plan or choose from several managed care options. Annuitants who were enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage plans.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to THIS Fund.

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

On behalf contributions to THIS fund. The State of Illinois makes employer retiree health insurance contributions on behalf of South Cook Intermediate Service Center #4. State contributions are intended to match contributions to THIS Fund from active members which were 1.02 percent of pay during the year ended June 30, 2015. State of Illinois contributions were \$12,253, and South Cook Intermediate Service Center #4 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2014 and June 30, 2013 were 0.97 and 0.92 percent of pay, respectively. State contributions on behalf of the South Cook Intermediate Service Center #4 employees were \$15,338 and \$11,171, respectively.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (Concluded)

A. TEACHER HEALTH INSURANCE SECURITY FUND (Concluded)

Employer contributions to THIS Fund. The South Cook Intermediate Service Center #4 also makes contributions to THIS Fund. The employer THIS Fund contribution was 0.76 percent during the year ended June 30, 2015, and 0.72 and 0.69 percent during the years end June 30, 2014 and 2013, respectively. For the year ended June 30, 2015, the South Cook Intermediate Service Center #4 paid \$12,252 to the THIS Fund. For the years ended June 30, 2014 and 2013, the South Cook Intermediate Service Center #4 paid \$11,385 and \$9,736, respectively, which was 100 percent of the required contribution.

Further information on THIS Fund. The publicly available financial report of the THIS Fund may be 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.”

NOTE 6 – RISK MANAGEMENT

The Intermediate Service Center #4 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Intermediate Service Center #4 has purchased commercial insurance to cover these risks. No losses have been incurred in excess of the amounts covered by insurance over the past three years.

NOTE 7 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Intermediate Service Center #4 has reported capital assets in the government-wide Statement of Net Position. Purchases are reported as capital outlay in the governmental fund statements. Purchases of business-type activities are capitalized when purchased. The following table provides a summary of changes in capital assets for the year ended June 30, 2015:

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – CAPITAL ASSETS (Concluded)

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities:				
Equipment	\$ 2,038,647	\$ 25,398	\$ (4,413)	\$ 2,059,632
Building	4,098,295	-	-	4,098,295
Governmental Activities Total Assets	<u>6,136,942</u>	<u>25,398</u>	<u>(4,413)</u>	<u>6,157,927</u>
Less Accumulated Depreciation				
Equipment	(1,615,785)	(69,061)	2,795	(1,682,051)
Building	(1,361,975)	(102,487)	-	(1,464,462)
Total Accumulated Depreciation	<u>(2,977,760)</u>	<u>(171,548)</u>	<u>2,795</u>	<u>(3,146,513)</u>
Governmental Activities				
Investment in Capital Assets, Net	<u>\$ 3,159,182</u>	<u>\$ (146,150)</u>	<u>\$ (1,618)</u>	<u>\$ 3,011,414</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2015 of \$171,548 was charged to governmental activities on the government-wide Statement of Activities. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

NOTE 8 – ON – BEHALF PAYMENTS

The State of Illinois paid the following contributions on-behalf of the South Cook Intermediate Service Center #4:

State of Illinois	
THIS contributions	\$ 12,253
ISC #4's share of TRS pension expense	<u>763,663</u>
Total	<u>\$ 775,916</u>

The South Cook Intermediate Service Center #4 also recorded \$763,663 in revenue and expenses as on-behalf payments from ISBE for the Intermediate Service Center's share of the State's Teachers' Retirement System (TRS) pension expense in the Statement of Activities. In addition, the South Cook Intermediate Service Center #4 has not included any on-behalf payments related to the State's TRS pension expense for the Executive Director and Assistant Executive Director.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – DUE FROM/TO OTHER GOVERNMENTS

The Intermediate Service Center #4's Education Fund and General Fund have funds due from various other governmental units which consist of the following:

Due From Other Governments:

<u>General Fund</u>	
Local Governments	\$ 85,598
State Government	22,129
 <u>Education Fund</u>	
Local Governments	22,840
State Government	3,015
Federal Government	7,328
Total	\$ 140,910

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS – HEALTH INSURANCE

a. Plan Description

In addition to providing the pension benefits described, the Intermediate Service Center #4 provides postemployment health care benefits (OPEB) for retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the Intermediate Service Center #4 and can be amended by the Intermediate Service Center #4 through its personnel manual, except for the implicit subsidy which is governed by the State Legislature and Illinois Compiled Statutes (ILCS). The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

For financial statement purposes, an actuarial valuation is required at least biennially for OPEB plans with a total membership (including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired and beneficiaries currently receiving benefits) of 200 or more, or at least triennially for plans with a total membership of fewer than 200. As a result of these requirements the Intermediate Service Center #4 was required to have an actuarial valuation for the year ended June 30, 2013. The results of this latest actuarial valuation are described below.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS – HEALTH INSURANCE (Continued)

b. Benefits Provided

The Intermediate Service Center #4 provides continued health insurance coverage at the blended employer rate to all eligible retirees in accordance with Illinois Compiled Statutes, which creates an implicit subsidy of retiree health insurance. To be eligible for benefits, an employee must qualify for retirement under the Intermediate Service Center #4 retirement plan. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree is no longer eligible to participate in the plan, but can purchase a Medicare supplement plan from the Intermediate Service Center #4 insurance provider.

c. Membership

At June 30, 2014 membership consisted of:

Retirees and beneficiaries currently receiving benefits	-
Terminated employees entitled to benefits but not yet receiving them	-
Active vested plan members	5
Active nonvested plan members	-
Total	5
Number of participating employers	1

d. Funding Policy

The Intermediate Service Center #4 is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

e. Annual OPEB Costs and net OPEB Obligation

The Intermediate Service Center #4 had an actuarial valuation performed for the plan as of June 30, 2013 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended June 30, 2013. The Intermediate Service Center #4's annual OPEB cost (expense) was \$21,997.

The Intermediate Service Center #4's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2013 and 2010 was calculated as follows:

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS – HEALTH INSURANCE (Continued)

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 21,997	\$ -	0%	\$ 30,040
June 30, 2010	\$ 8,043	\$ -	0%	\$ 8,043

The net OPEB obligation as of June 30, 2013, was calculated as follows:

Annual Required Contribution	\$ 22,106
Interest on Net OPEB Obligation	402
Adjustment to Annual Required Contribution	<u>(511)</u>
Annual OPEB Cost	21,997
Contributions Made	<u>-</u>
Increase in Net OPEB Obligation	21,997
Net OPEB Obligation Beginning of year	<u>8,043</u>
NET OPEB OBLIGATION END OF YEAR	<u><u>\$ 30,040</u></u>

f. Funded Status and Funding Progress

The funded status of the plan was as follows:

Actuarial Accrued Liability (AAL)	\$ 170,072
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 170,072
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$ 540,104
UAAL as a Percentage of Covered Payroll	31.49%

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS – HEALTH INSURANCE (Concluded)

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

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

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

In the July 1, 2013, actuarial valuation, the unit credit cost method was selected to value liabilities. The actuarial assumptions included a discount rate of 5.00% and an initial healthcare cost trend rate of 8.00% with a 5.00% increase for later years. Both rates include a 2.00% inflation assumption.

The actuarial value of assets was not determined as the Intermediate Service Center #4 has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized using a level dollar method. The remaining amortization period at July 1, 2013 was 30 years. Intermediate Service Center #4 has not recorded a post-employment benefit liability as of June 30, 2015.

NOTE 11 – INTERFUND ACTIVITY

Interfund due to/from fund balances at June 30, 2015 consist of the following individual due to/from other funds in the governmental fund balance sheet. The balances between governmental funds were eliminated in the government-wide Statement of Net Position.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 – INTERFUND ACTIVITY (Concluded)

	Due From Other Funds	Due To Other Funds
Education Fund	\$ -	\$ 7,328
General Fund	29,126	21,798
	\$ 29,126	\$ 29,126

Interfund transfers in/out to other fund balances at June 30, 2015 consist of the following individual transfers in/out to other funds in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities.

	Transfer In	Transfer Out
Education	\$ 1,685	\$ 700
General	700	1,685
	\$ 2,385	\$ 2,385

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The following adjustments were needed to correct beginning fund balances:

Governmental Funds	
General Fund	
Beginning fund balance, July 1, 2014	\$ 3,185,088
Reclassify annuity payable from Education Fund to General Fund	(15,000)
Restated beginning fund balance	\$ 3,170,088
Education Fund	
Beginning fund balance, July 1, 2014	\$ 56,320
Reclassify annuity payable from Education Fund to General Fund	15,000
Restated beginning fund balance	\$ 71,320

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 12 – PRIOR PERIOD ADJUSTMENT (Concluded)

The following adjustments were needed to correct beginning net position:

Government Wide	
Governmental Funds	
Beginning net position, July 1, 2014	\$ 6,681,538
Adjustment for deferred outflows	69,813
Adjustments for pension liability	<u>(1,399,750)</u>
Restated net position	<u><u>\$ 5,351,601</u></u>

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

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY & RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND
CALENDAR YEAR 2014**

Calendar Year Ended December 31,	2014
Total Pension Liability	
Service Cost	\$ 107,890
Interest on the Total Pension Liability	170,633
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience of the Total Pension Liability	13,349
Changes of Assumptions	87,624
Benefit Payments, including Refunds of Employee Contributions	(59,061)
Net Change in Total Pension Liability	\$ 320,435
Total Pension Liability - Beginning	2,250,066
Total Pension Liability - Ending (A)	\$ 2,570,501
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 102,270
Contributions - Employees	38,224
Net Investment Income	115,205
Benefit Payments, including Refunds of Employee Contributions	(59,061)
Other (Net Transfer)	1,521
Net Change in Plan Fiduciary Net Position	\$ 198,159
Plan Fiduciary Net Position - Beginning	2,181,973
Plan Fiduciary Net Position - Ending (B)	\$ 2,380,132
 Net Pension Liability - Ending (A) - (B)	 \$ 190,369
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 91.79%
 Covered Valuation Payroll	 \$ 833,221
 Net Pension Liability as a Percentage of Covered Valuation Payroll	 23.21%

Notes to Schedule:

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

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND
CALENDAR YEAR 2014**

Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2014	\$ 95,154	\$ 102,270	\$ 7,116	\$ 833,221	12.27%

Notes to Schedule:

*Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2014 Contribution Rate**

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2014 Contribution Rates:

Actuarial Cost Method: Aggregate entry age = normal
Amortization Method: Level percentage of payroll, closed
Remaining Amortization Period: 29-year closed period
Asset Valuation Method: 5-year smoothed market; 20% corridor
Wage Growth: 4%
Price Inflation: 3%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases: 4.40% to 16%, including inflation
Investment Rate of Return: 7.50%
Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
Mortality: RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92 percent of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes: There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2012, actuarial valuation; note two year lag between valuation and rate setting.

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

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
FOR THE YEAR ENDED JUNE 30, 2015**

Employer's proportion of the net pension liability		0.0004289567%
Employer's proportionate share of the net pension liability	\$	261,056
State's proportionate share of the net pension liability associated with the employer		9,485,250
Total	\$	9,746,306
Employer's covered-employee payroll	\$	1,620,419
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll		16.1%
Plan fiduciary net position as a percentage of the total pension liability		2.7%
<i>* The amounts presented were determined as of the prior fiscal-year end.</i>		

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014
Contractually-required contribution	\$ 21,421	\$ 17,107
Contributions in relation to the contractually-required contribution	21,421	17,107
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered-employee payroll	\$ 1,620,419	\$ 1,581,211
Contributions as a percentage of covered-employee payroll	1.3%	1.1%

Notes to Schedule

Changes of assumptions

Amounts reported in 2014 reflect an investment rate of return of 7.5 percent, an inflation rate of 3.0 percent and real return of 4.5 percent, and a salary increase assumption of 5.75 percent. In 2013, assumptions used were an investment rate of return of 8.0 percent, an inflation rate of 3.25 percent and real return of 4.75 percent, and salary increases of 6.00 percent. However, the total pension liability at the beginning and end of the year was calculated using the same assumptions, so the difference due to actuarial assumptions was not calculated or allocated.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS
 SCHEDULE OF FUNDING PROGRESS
 (UNAUDITED)
 June 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2013	-	170,072	170,072	0.00%	540,104	31.49%
6/30/2010	-	59,133	59,133	0.00%	N/A	0.00%

SUPPLEMENTAL INFORMATION

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
COMBING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2015

	<u>Regional Safe School</u>	<u>RISE</u>	<u>Spelling Bee</u>	<u>Squeeze and Read</u>	<u>Totals</u>
Assets					
Cash and cash equivalents	\$ -	\$ 2,446,526	\$ -	\$ 3,625	\$ 2,450,151
Due from other funds	-	29,126	-	-	29,126
Due from other governments					
Local	-	85,598	-	-	85,598
State	22,129	-	-	-	22,129
	<u>22,129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,129</u>
Total Assets	<u>\$ 22,129</u>	<u>\$ 2,561,250</u>	<u>\$ -</u>	<u>\$ 3,625</u>	<u>\$ 2,587,004</u>
Liabilities					
Accounts payable	\$ -	\$ 18,428	\$ -	\$ -	\$ 18,428
Accrued payroll and employee benefits	331	157,583	-	-	157,914
Due to other funds	21,798	-	-	-	21,798
	<u>21,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,798</u>
Total Liabilities	<u>22,129</u>	<u>176,011</u>	<u>-</u>	<u>-</u>	<u>198,140</u>
Fund Balance					
Assigned	-	2,385,239	-	-	2,385,239
Unassigned	-	-	-	3,625	3,625
Total Fund Balance	<u>-</u>	<u>2,385,239</u>	<u>-</u>	<u>3,625</u>	<u>2,388,864</u>
Total Liabilities, and Fund Balance	<u>\$ 22,129</u>	<u>\$ 2,561,250</u>	<u>\$ -</u>	<u>\$ 3,625</u>	<u>\$ 2,587,004</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
COMBINING SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
For the Year Ended June 30, 2015

	Regional Safe School	RISE	Spelling Bee	Squeeze and Read	Totals
Revenues					
Local sources	\$ -	\$ 1,421,496	\$ 10,200	\$ 169	\$ 1,431,865
State sources	356,957	930,192	-	-	1,287,149
On-behalf payments	-	12,253	-	-	12,253
Total Revenues	<u>356,957</u>	<u>2,363,941</u>	<u>10,200</u>	<u>169</u>	<u>2,731,267</u>
Expenditures					
Salaries and benefits	356,957	2,337,737	-	-	2,694,694
Purchased services	-	519,965	8,091	-	528,056
Supplies and materials	-	145,369	2,109	-	147,478
Other objects	-	26,472	-	-	26,472
Capital outlay	-	41,983	-	-	41,983
On-behalf payments	-	12,253	-	-	12,253
Pension expense	-	60,570	-	-	60,570
Total Expenditures	<u>356,957</u>	<u>3,144,349</u>	<u>10,200</u>	<u>-</u>	<u>3,511,506</u>
Excess/(Deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(780,408)</u>	<u>-</u>	<u>169</u>	<u>(780,239)</u>
Other Financing Sources/(Uses)					
Transfers in	-	700	-	-	700
Transfers out	-	(1,685)	-	-	(1,685)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>(985)</u>	<u>-</u>	<u>-</u>	<u>(985)</u>
Net change in fund balance	-	(781,393)	-	169	(781,224)
Fund Balance , Beginning of year (restated - See Note 12)	<u>-</u>	<u>3,166,632</u>	<u>-</u>	<u>3,456</u>	<u>3,170,088</u>
Fund Balance , End of year	<u>\$ -</u>	<u>\$ 2,385,239</u>	<u>\$ -</u>	<u>\$ 3,625</u>	<u>\$ 2,388,864</u>

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
 BUDGETARY COMPARISION SCHEDULE
 GENERAL FUND ACCOUNT
 REGIONAL SAFE SCHOOL
 For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 365,175	\$ 356,959	\$ 356,957
Total Revenues	<u>365,175</u>	<u>356,959</u>	<u>356,957</u>
Expenditures			
Salaries and benefits	365,175	356,959	356,957
Total Expenditures	<u>365,175</u>	<u>356,959</u>	<u>356,957</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund Balance, Beginning of year			<u>-</u>
Fund Balance, End of year			<u>\$ -</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2015

	English as a Second Language	McKinney-Vento Education for Homeless Children and Youth	ROE/ISC Operations	Health and Life Safety Program	South Cook Mathematics Initiative
Assets					
Cash and cash equivalents	\$ 16,666	\$ -	\$ -	\$ 26,334	\$ 15,374
Due from other governments					
Local	-	-	-	-	22,840
State	-	-	-	-	-
Federal	-	-	-	-	-
Total Assets	\$ 16,666	\$ -	\$ -	\$ 26,334	\$ 38,214
Liabilities					
Accounts payable	\$ 1,518	\$ -	\$ -	\$ -	\$ 12,937
Due to other funds	-	-	-	-	-
Unearned revenue	15,148	-	-	-	-
Total Liabilities	16,666	-	-	-	12,937
Fund Balance					
Restricted	-	-	-	26,334	25,277
Total Fund Balance	-	-	-	26,334	25,277
Total Liabilities and Fund Balance	\$ 16,666	\$ -	\$ -	\$ 26,334	\$ 38,214

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2015

	Title I - School Improvement and Accountability	Title II - Teacher Quality - Leadership Grant	Title IV	ARRA State Aid	Totals
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 58,374
Due from other governments					
Local	-	-	-	-	22,840
State	3,015	-	-	-	3,015
Federal	-	7,328	-	-	7,328
Total Assets	\$ 3,015	\$ 7,328	\$ -	\$ -	\$ 91,557
Liabilities					
Accounts payable	\$ 3,015	\$ -	\$ -	\$ -	\$ 17,470
Due to other funds	-	7,328	-	-	7,328
Unearned revenue	-	-	-	-	15,148
Total Liabilities	3,015	7,328	-	-	39,946
Fund Balance					
Restricted	-	-	-	-	51,611
Total Fund Balance	-	-	-	-	51,611
Total Liabilities and Fund Balance	\$ 3,015	\$ 7,328	\$ -	\$ -	\$ 91,557

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2015

	English as a Second Language	McKinney-Vento Education for Homeless Children and Youth	ROE/ISC Operations	Health and Life Safety Program	South Cook Mathematics Initiative
Revenues					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 144,730
State sources	1,518	-	222,834	113,266	-
Federal sources	-	110,300	-	-	-
Total Revenues	<u>1,518</u>	<u>110,300</u>	<u>222,834</u>	<u>113,266</u>	<u>144,730</u>
Expenditures					
Salaries and benefits	-	42,761	205,029	44,841	41,078
Purchased services	1,518	63,374	6,623	75,967	112,638
Supplies and materials	-	4,348	1,260	204	3,000
Pension expense	-	337	9,922	-	442
Total Expenditures	<u>1,518</u>	<u>110,820</u>	<u>222,834</u>	<u>121,012</u>	<u>157,158</u>
Excess/(Deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(520)</u>	<u>-</u>	<u>(7,746)</u>	<u>(12,428)</u>
Other Financing Sources/(Uses)					
Transfer in	-	520	-	-	-
Transfer out	-	-	-	-	-
Total Other Financing Sources/(Uses)	<u>-</u>	<u>520</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	(7,746)	(12,428)
Fund Balance , Beginning of year (restated - See Note 12)	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,080</u>	<u>37,705</u>
Fund Balance , End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,334</u>	<u>\$ 25,277</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2015

	Title I - School Improvement and Accountability	Title II - Teacher Quality - Leadership Grant	Title IV	ARRA State Aid	Totals
Revenues					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 144,730
State sources	-	-	-	-	337,618
Federal sources	447,720	99,642	-	-	657,662
Total Revenues	<u>447,720</u>	<u>99,642</u>	<u>-</u>	<u>-</u>	<u>1,140,010</u>
Expenditures					
Salaries and benefits	216,005	-	-	-	549,714
Purchased services	213,982	99,642	-	-	573,744
Supplies and materials	405	-	-	-	9,217
Pension expense	17,328	-	-	-	28,029
Total Expenditures	<u>447,720</u>	<u>99,642</u>	<u>-</u>	<u>-</u>	<u>1,160,704</u>
Excess/(Deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,694)</u>
Other Financing Sources/(Uses)					
Transfer in	-	-	-	1,165	1,685
Transfer out	-	-	(700)	-	(700)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>(700)</u>	<u>1,165</u>	<u>985</u>
Net change in fund balance	-	-	(700)	1,165	(19,709)
Fund Balance , Beginning of year (restated - See Note 12)	<u>-</u>	<u>-</u>	<u>700</u>	<u>(1,165)</u>	<u>71,320</u>
Fund Balance , End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,611</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
MCKINNEY-VENTO EDUCATION FOR HOMELESS CHILDREN AND YOUTH
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 110,300	\$ 110,300	\$ 110,300
Total Revenues	<u>110,300</u>	<u>110,300</u>	<u>110,300</u>
Expenditures			
Salaries and benefits	43,080	43,080	42,761
Purchased services	64,020	64,020	63,374
Supplies and materials	3,200	3,200	4,348
Pension expense	-	-	337
Total Expenditures	<u>110,300</u>	<u>110,300</u>	<u>110,820</u>
Excess/(Deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(520)</u>
Other Financing Sources (Uses)			
Transfers in	<u>-</u>	<u>-</u>	<u>520</u>
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>520</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund Balance, Beginning of year			<u>-</u>
Fund Balance, End of year			<u>\$ -</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
ROE/ISC OPERATIONS
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
Revenues			
State sources	\$ 222,834	\$ 222,834	\$ 222,834
Total Revenues	<u>222,834</u>	<u>222,834</u>	<u>222,834</u>
Expenditures			
Salaries and benefits	143,884	206,143	205,029
Purchased services	77,700	5,519	6,623
Supplies and materials	1,250	1,250	1,260
Pension expense	-	-	9,922
Total Expenditures	<u>222,834</u>	<u>212,912</u>	<u>222,834</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund Balance, Beginning of year			<u>-</u>
Fund Balance, End of year			<u>\$ -</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
HEALTH AND LIFE SAFETY PROGRAM
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 112,492	\$ 112,492	\$ 113,266
Total Revenues	<u>112,492</u>	<u>112,492</u>	<u>113,266</u>
Expenditures			
Salaries and benefits	109,484	48,696	44,841
Purchased services	3,008	63,274	75,967
Supplies and materials	-	522	204
Total Expenditures	<u>112,492</u>	<u>112,492</u>	<u>121,012</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(7,746)
Fund Balance, Beginning of year			<u>34,080</u>
Fund Balance, End of year			<u>\$ 26,334</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TITLE I – SCHOOL IMPROVEMENT AND ACCOUNTABILITY
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Revenues			
Federal sources	\$ 684,799	\$ 535,903	\$ 447,720
Total Revenues	<u>684,799</u>	<u>535,903</u>	<u>447,720</u>
Expenditures			
Salaries and benefits	437,632	287,047	216,005
Purchased services	242,167	246,106	213,982
Supplies and materials	5,000	2,750	405
Pension expense	-	-	17,328
Total Expenditures	<u>684,799</u>	<u>535,903</u>	<u>447,720</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund Balance, Beginning of year			-
Fund Balance, End of year			<u>\$ -</u>

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 TITLE II – TEACHER QUALITY- LEADERSHIP GRANT
 For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 60,842	\$ 60,842	\$ 99,642
Total Revenues	<u>60,842</u>	<u>60,842</u>	<u>99,642</u>
Expenditures			
Purchased services	60,842	60,842	99,642
Total Expenditures	<u>60,842</u>	<u>60,842</u>	<u>99,642</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund Balance, Beginning of year			<u>-</u>
Fund Balance, End of year			<u>\$ -</u>

FEDERAL COMPLIANCE SECTION

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

<u>Pass-Through Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Project # or Contract #</u>	<u>Federal Expenditures 7/1/14 - 6/30/15</u>
U.S. Department of Education			
passed through Illinois State Board of Education:			
Title I, Part A - Grants to Local Educational Agencies -			
Title I - School Improvement and Accountability	M 84.010	14-4331-SS	\$ 13,160
Title I - School Improvement and Accountability	M 84.010	15-4331-SS	434,560
			<u>447,720</u>
Improving Teacher Quality State Grants			
Title II - Teacher Quality - Leadership Grant	84.367A	14-4935-02	38,800
Title II - Teacher Quality - Leadership Grant	84.367A	15-4935-02	60,842
			<u>99,642</u>
Passed through Will County			
Regional Office of Education #56			
Education for Homeless Children and Youth -			
McKinney-Vento Education for Homeless Children and Youth	84.196A	15-4920-00	<u>110,300</u>
Total Expenditures of Federal Awards			<u>\$ 657,662</u>

(M) Program was audited as a major program.

The accompanying notes are an integral part of this schedule

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Note 1 – REPORTING ENTITY BASIS OF PRESENTATION AND ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of South Cook Intermediate Service Center #4 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented on this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – DESCRIPTION OF MAJOR FEDERAL PROGRAM

Title I, Part A – Grants to Local Educational Agencies

Title I School Improvement and Accountability – This program uses federal funding to provide assistance to those schools/school districts that do not meet Adequate Yearly Progress (AYP) as defined by the No Child Left Behind Act.

Note 3 – SUBRECIPIENTS

None

Note 4 – NONE-CASH ASSISTANCE

None

Note 5 – AMOUNT OF INSURANCE

None

Note 6 – LOANS OR LOAN GUARANTEES OUTSTANDING

None