
**STATE OF ILLINOIS
SOUTH COOK
INTERMEDIATE SERVICE CENTER #4
FINANCIAL AUDIT
(In Accordance with the Uniform Guidance)
For the Year Ended June 30, 2017**

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

SOUTH COOK INTERMEDIATE SERVICE CENTER #4

TABLE OF CONTENTS

	PAGE
OFFICIALS	1
COMPLIANCE REPORT SUMMARY	2-3
FINANCIAL STATEMENT REPORT SUMMARY	4
FINANCIAL SECTION	
Independent Auditors' Report	5-7
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 <i>Government Auditing Standards</i>	8-9
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	10-12
Schedule of Findings and Questioned Costs	13
Financial Statement Findings	14a-14f
Federal Award Findings	15a-15e
Corrective Action Plan for Current Year Audit Findings	16a-16f
Summary Schedule of Prior Audit Findings	17
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	18
Statement of Activities.....	19
Fund Financial Statements	
Governmental Funds – Balance Sheet	20
Governmental Funds – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	21
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances	22
Governmental Funds – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	23
Proprietary Funds – Statement of Net Position	24
Proprietary Funds – Statement of Revenues, Expenses, and Changes in Fund Net Position.....	25
Proprietary Funds – Statement of Cash Flows.....	26
Notes to Financial Statements	27-53

SOUTH COOK INTERMEDIATE SERVICE CENTER #4

TABLE OF CONTENTS (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION

Illinois Municipal Retirement Fund – Schedule of Changes in the Net Pension
 Liability & Related Ratios 54
Illinois Municipal Retirement Fund – Schedule of Employer Contributions 55
Teachers’ Retirement System of the State of Illinois – Schedule of the
 Employer’s Proportionate Share of the Net Pension Liability & Schedule of
 Employer Contributions..... 56–57
Post-Employment Benefits Other than Pensions – Schedule of Funding
 Progress – *Unaudited*..... 58

SUPPLEMENTAL INFORMATION

General Fund Accounts:
 Combining Schedule of Accounts 59
 Combining Schedule of Revenues, Expenditures, and Changes in
 Fund Balances 60

Education Fund Accounts:
 Combining Schedule of Accounts 61–62
 Combining Schedule of Revenues, Expenditures, and Changes in
 Fund Balances 63–64

Budgetary Comparison Schedules:
 ROE/ISC Ops Health and Life Safety Program 65
 McKinney-Vento Education for Homeless Children and Youth 66
 New Teacher Induction and Mentoring 67
 Regional Safe Schools..... 68
 ROE/ISC Operations 69
 Title I – School Improvement and Accountability 70
 Title I – School Improvement and Accountability 71
 Title II – Teacher Quality – Leadership Grant 72

FEDERAL COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards 73
Notes to Schedule of Expenditures of Federal Awards..... 74

SOUTH COOK INTERMEDIATE SERVICE CENTER #4

OFFICIALS

Executive Director (Current and During the Audit Period)	Dr. Vanessa J. 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	5	2
Repeated audit findings	2	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>			
2017-001	14a	Controls Over Financial Statement Preparation	Material Weakness
2017-002	14d	Controls Over Timely Expenditure Report Submission	Significant Deficiency
2017-003	14f	Internal Control Deficiencies	Material Weakness
<i>Findings and Questioned Costs (Federal Compliance)</i>			
2017-002	14d	Controls Over Timely Expenditure Report Submission	Significant Deficiency and Noncompliance
2017-004	15a	Controls Over Accurate Preparation of Grant Expenditure Reporting and Budgeting	Material Weakness and Noncompliance
2017-005	15c	Salaries and Benefits Not Supported by Proper Time And Effort Documentation	Material Weakness and Noncompliance

Prior Audit Findings not Repeated (Government Auditing Standards)

None

Prior Audit Findings not Repeated (Federal Compliance)

None

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

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with ISC personnel at an informal exit conference on December 1, 2017. Attending were Vanessa Kinder, Executive Director, Shelia Ivy, Bookkeeper, Tami Knight, CPA, and Kara Bevis, CPA, CFE, Manager, Kemper CPA Group LLP. Responses to the recommendations were provided by Vanessa Kinder, Executive Director, on July 3, 2018.

**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, 2017, 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, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Illinois Municipal Retirement Fund Schedule of Changes in the Net Pension Liability & Related Ratios, Illinois Municipal Retirement Fund Schedule of Employer Contributions, Teachers' Retirement System of the State of Illinois Schedule of the Employer's Proportionate Share of the Net Pension Liability, Teachers' Retirement System of the State of Illinois Schedule of Employer Contributions, and Post-Employment Benefits Other Than Pensions Schedule of Funding Progress on pages 54, 55, 56, 57, and 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of accounts, budgetary comparison schedules, the combining fund financial statements, and the Schedule of Expenditures of Federal Awards, as required by the Uniform Guidance, 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 the Uniform Guidance, 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 July 31, 2018 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 the effectiveness of South Cook Intermediate Service Center #4's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Cook Intermediate Service Center #4's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants

Marion, Illinois
July 31, 2018

**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, 2017, 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 July 31, 2018.

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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-003 that we consider to be material weaknesses.

A *significant* deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002 to be a significant deficiency.

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 Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

SIGNED ORIGINAL ON FILE

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants

Marion, Illinois
July 31, 2018

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

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002, 2017-004, and 2017-005. Our opinion on each major federal program is not modified with respect to these matters.

South Cook Intermediate Service Center #4's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. South Cook Intermediate Service Center #4's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance, 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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2017-004 and 2017-005 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002 to be a significant deficiency.

South Cook Intermediate Service Center #4's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. South Cook Intermediate Service Center #4's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

SIGNED ORIGINAL ON FILE

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants

Marion, Illinois
July 31, 2018

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION I—SUMMARY OF AUDITORS’ RESULTS
For the Year Ended June 30, 2017**

Financial Statements in accordance with GAAP

Type of auditors’ report issued: *unmodified*

Internal control over financial reporting:

Material weaknesses identified? Yes

Significant deficiency identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified? Yes

Significant deficiency identified? Yes

Type of auditors’ report issued on compliance for major federal programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major federal programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low–risk auditee? No

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2017**

Finding No. 2017-001– Controls Over Financial Statement Preparation (Repeat of Prior Year Findings 16-001, 15-001, 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). ISC #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. ISC #4 maintains its accounting records on the cash basis of accounting during the fiscal year. 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 financial information prepared by the ISC, the following were noted:

- The ISC did not have adequate controls over the maintenance of complete records of accounts receivable/due from other governments, accounts payable/due to other governments, unearned revenue, and unavailable revenue. The ISC did not maintain records to indicate the balances of accounts receivable/due from other governments, accounts payable/due to other governments, unearned revenue, and unavailable revenue.
- The ISC did not provide entries to allocate cash and fund balances to the individual funds as presented in the financial statements. The ISC also did not provide entries to create interfund receivables and payables to eliminate negative cash balances within certain funds.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)
For the Year Ended June 30, 2017

Finding No. 2017-001– Controls Over Financial Statement Preparation (Repeat of Prior Year Findings 16-001, 15-001, 14-001, 13-001, 12-1, 11-1, 10-1, 09-1 and 08-1) (Continued)

Condition (Concluded):

- The ISC’s chart of accounts does not track fund activity at the detailed level necessary for presentation in the financial statements and supplemental information of this report. For example, the Workshops proprietary fund and the General Operations fund within the general fund are combined in the same group of accounts within the general ledger.
- The ISC did not record or track prior year audit entries and the associated reversing entries necessary to reflect accurate fund balances in the GAAP based financial statements.
- Contract labor purchased service expenses were recorded in error as salary expense.
- Payroll checks for 10-month employees who choose to be paid over 12 months were pre-written and held at June 30, 2017 instead of being recorded as accrued salaries and written in the month in which they were available for disbursement to employees.
- The ISC did not provide entries to eliminate interfund charges and reimbursements.
- Fixed asset additions under the ISC’s capitalization threshold were noted and one fixed asset purchase over the threshold was not tracked as a fixed asset by the ISC.

Audit adjustments were recorded as necessary to recognize and/or correct all of the above listed items.

Through inquiries and discussions with the ISC’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 ISC officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements.

Auditors’ Recommendation:

As part of internal control over the preparation of financial statements, the ISC should implement comprehensive preparation procedures to ensure 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.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)
For the Year Ended June 30, 2017

Finding No. 2017-001– Controls Over Financial Statement Preparation (Repeat of Prior Year Findings 16-001, 15-001, 14-001, 13-001, 12-1, 11-1, 10-1, 09-1 and 08-1) (Concluded)

Management’s Response:

Due to budget constraints, South Cook ISC does not have a CPA on staff. Preparation of financial statements is completed through the Bloom Township Treasurer’s Office. South Cook ISC will hire an accounting firm with experience in complying with financial statement preparation for the FY19 school year.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)
For the Year Ended June 30, 2017**

Finding No. 2017-002 – Controls Over Timely Expenditure Report Submission (Repeat of Prior Year Finding 16-002)

Federal Program: System of Support Title I – School Improvement and Accountability, Title II – Teacher Quality – Leadership Grant
Project No: 17-4331-SS, 17-4935-02
CFDA No: 84.010A, 84.367A
Passed Through: Illinois State Board of Education, Illinois State Board of Education
Federal Agency: U.S. Department of Education, U.S. Department of Education

Criteria/Specific Requirement:

The Illinois Grant Funds Recovery Act (30 ILCS 705/4) requires State grant recipients with awards in excess of \$25,000 to submit quarterly expenditure reports to reflect the progress of the grant program. The Illinois State Board of Education (ISBE) requires all grant recipients, regardless of the amount awarded, to submit quarterly expenditure reports. The *State and Federal Grant Administration Policy, Fiscal Requirements, and Procedures* of the ISBE Division of Funding and Disbursement Services requires expenditure reports to be filed within 20 calendar days of the end of each reporting quarter.

Condition:

The South Cook Intermediate Service Center #4’s (ISC) internal controls over expenditure report submission were not effective. Several expenditure reports for Illinois State Board of Education grants were not submitted timely. Specifically, the following expenditure reports were not submitted timely:

<u>Program Name</u>	<u>Quarter Ended</u>	<u>Submit Date</u>	<u>Days Late</u>
System of Support Title I – School Improvement and Accountability (17-4331-SS)	6/30/2017	7/22/2017	2
Title II – Teacher Quality – Leadership Grant (17-4935-02)	6/30/2017	7/22/2017	2
Regional Safe Schools (17-3696-00)	6/30/2017	7/22/2017	2
ROE/ISC Operations (17-3730-00)	6/30/2017	7/22/2017	2
ROE/ISC Operations (17-3730-01)	6/30/2017	7/22/2017	2
New Teacher Induction and Mentoring (17-3999-TM)	6/30/2017	7/25/2017	5

Questioned Costs:

None

Context:

The June 30, 2017 expenditure reports for six (6) grants were examined, noting the expenditure reports were not submitted within 20 calendar days of the end of the reporting quarter.

Effect:

The grant program could be frozen by the ISBE and future payments could be delayed if reports are not submitted in a timely manner.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)
For the Year Ended June 30, 2017

Finding No. 2017-002 – Controls Over Timely Expenditure Report Submission (Repeat of Prior Year Finding 16-002) (Concluded)

Cause:

According to ISC management, these expenditure reports were not submitted timely due to accidental oversight by ISC personnel.

Auditors' Recommendation:

The ISC should take appropriate steps to ensure all expenditure reports are filed within the prescribed guidelines set forth by the ISBE.

Management's Response:

The June 2017 expenditure reports were submitted past the deadline. Oftentimes, closing a grant within the prescribed time limit is not feasible; in particular when dealing with outside vendors, as they do not always have a pressing need to submit final invoices and bills which are needed to finalize the grant expenditures. In addition, grant activities run up until the last day of the grant end date and does not always allow enough time for processing of payments/expenditures. As the grant ends on June 30, South Cook ISC will stop all grant activities at an earlier date to assure that all processing and billing can be completed before the expenditure reports are due. South Cook will work with outside vendors on getting their expenditures submitted in a timely fashion.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS (CONCLUDED)
For the Year Ended June 30, 2017

Finding No. 2017-003 – Internal Control Deficiencies

Criteria/Specific Requirement:

The South Cook Intermediate Service Center #4 is responsible for establishing and maintaining a system of internal controls over the accounting function sufficient to prevent errors and fraud.

Condition:

During the audit, we noted the following weaknesses in the design of the ISC's system of internal controls over financial reporting:

- A. No supporting documentation is maintained for manual journal entries. Additionally, there is no formal review and approval over the manual journal entry process by an individual independent of the general ledger process.
- B. No documentation is maintained of the reconciliation of deposit totals by account to the general ledger by the bookkeeper after Bloom Township Trustees of Schools has deposited and recorded the cash receipts.

Effect:

Lack of effectively designed internal control procedures could result in unintentional or intentional errors or misappropriation of assets that could be material to the financial statements and may not be detected in a timely manner by management or employees in the normal course of performing their assigned duties.

Cause:

According to ISC management, the ISC has not established sufficient internal control procedures.

Auditors' Recommendation:

- A. Supporting documentation should be maintained for all manual journal entries. A formal review and approval process over manual journal entries by an individual independent of the general ledger process should be implemented.
- B. Documentation should be maintained of the reconciliation of deposit totals by account to the general ledger after Bloom Township Trustees of Schools has deposited and recorded the cash receipts.

Management's Response:

Procedures through the Bloom Township Treasurer's Office are strictly adhered to. The Bookkeeper does confirm that deposits sent through the Treasurer's Office are deposited into the ISC accounts each month. However, documentation has not been maintained. South Cook ISC will work with Bloom Township and request copies of reconciliation statements to confirm/verify that ISC accounts were properly reconciled. The Bookkeeper will maintain documentation of reconciliation of deposit totals. To strengthen the internal control, all journal entries will be approved by the Executive Director after the Bookkeeper has completed them. Monthly journal entry reports will be submitted by the Bookkeeper to the Executive Director.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III – FEDERAL AWARD FINDINGS
For the Year Ended June 30, 2017

Finding No. 2017-004 – Controls Over Accurate Preparation of Grant Expenditure Reporting and Budgeting

Federal Program: System of Support Title I – School Improvement and Accountability
Project No: 17-4331-SS
CFDA No: 84.010A
Passed Through: Illinois State Board of Education
Federal Agency: U.S. Department of Education

Criteria/Specific Requirement:

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that a non-federal entity’s financial management system, including records documenting compliance with federal statutes, regulations, and the terms and conditions of the federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the federal statutes, regulations, and the terms and conditions of the federal award. Furthermore, the non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in “Standards for Internal Controls in the Federal Government” issued by the Comptroller General of the United States or the “Internal Controls Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Uniform Guidance requires accurate, current, and complete disclosure of the financial results of each federal award or program by the direct grant recipient in accordance with the reporting requirements as set form in section 200.327 Financial Reporting. Pass-through entities may impose on subrecipients additional requirements in order to meet its own responsibility to the federal awarding agency, including identification of any required financial and performance reports.

Condition:

The ISC did not have adequate internal controls over the preparation of grant expenditure reports and budgets. The following was noted:

- Purchased service costs for 3 contract laborers, totaling \$77,088, were recorded and reported as salary expense in the ISC’s expenditure reports. These contract laborers were not employees of the ISC and were not paid through payroll, although they were budgeted as such.
- Purchased service costs totaling \$1,143 for an additional 3 contract laborers were budgeted in a salary account (2210-100), although they were correctly recorded and reported as purchased service costs. The budget was not revised as of June 30, 2017 to reflect the correct expense classification.
- A payment of \$3,825 to a Title I presenter was inadvertently recorded to a Principal Mentoring grant expense account and was not included on the Title I expenditure report, resulting in incomplete expenses on the June 30, 2017 expenditure report.

Questioned Costs:

None

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III – FEDERAL AWARD FINDINGS (CONTINUED)
For the Year Ended June 30, 2017**

Finding No. 2017-004 – Controls Over Accurate Preparation of Grant Expenditure Reporting and Budgeting (Concluded)

Context:

A sample of 40 Title I salary and benefit transactions were selected for compliance testing, totaling \$116,924. Of the 40 sample transactions, 7 transactions totaling \$26,988 were for contract laborers and were recorded as salary expense when they should have been classified as purchased service expenses. Upon further investigation, auditor's noted a total of \$77,088 purchased service expenses were recorded as salary expenses during the fiscal year ended June 30, 2017.

A sample of 37 Title I non-payroll expense transactions were selected for compliance testing, totaling \$21,780. Of the 37 sample transactions, 1 transaction totaling \$71 was for a contract laborer that was budgeted as a salary expense. Upon further investigation, it was noted that 3 contract laborers with purchased service costs of \$1,143 had been budgeted in salary expense and not corrected.

The June 30, 2017 Title I expenditure report didn't include all the expenditures as compared to the general ledger.

Effect:

Inaccurate expenditure reports were submitted, which could lead to granting agencies requesting reimbursements or adjusting future grant amounts.

Cause:

According to ISC management, the ISC does not always know if a position will be filled with a contract laborer or an employee when preparing the budget. Instead of filing an amended budget when the classification of these individuals was known, they reclassified the expenses associated with these contract laborers to match the budget. They were unaware the budget should have been amended instead of adjusting the classification of the expenses. Other items noted were a result of accidental employee oversight.

Auditors' Recommendation:

We recommend ISC management create a system of internal controls to ensure all expenditure reports are submitted accurately and budget amendments are requested when necessary.

Management's Response:

At the onset of any grant, ISC #4 staff estimates the number of staff that will be necessary to run the grant. Oftentimes, staff do not have time to participate in a grant and we may need to employ additional staff members or consultants. We did not fill all of the positions that were budgeted for at the same time, and we didn't finalize all staffing needs until well into the school year. It was an oversight that we did not go back and amend the grant for a few of the staff. South Cook ISC will ensure that as staffing positions are filled, grants will be amended as necessary and staff will be paid either through the payroll process if they are employees or through the payable process if they are consultants.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III – FEDERAL AWARD FINDINGS (CONTINUED)
For the Year Ended June 30, 2017**

Finding No. 2017-005 – Salaries and Benefits Not Supported by Proper Time and Effort Documentation

Federal Program: System of Support Title I – School Improvement and Accountability
Project No: 17-4331-SS
CFDA No: 84.010A
Passed Through: Illinois State Board of Education
Federal Agency: U.S. Department of Education

Criteria/Specific Requirement:

Employees of the South Cook Intermediate Service Center #4 are required to document their time and effort working on federal programs. Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires charges for salaries and benefits to be supported by a system of internal control which provides reasonable assurance that charges are accurate, allowable, and properly allocated. Documentation records should reasonably reflect the total activity for which the employee is compensated, not exceeding 100% of compensated activities, and should encompass both federally assisted and non-federally assisted activities. It further states that budget estimates alone do not qualify as support for salary and benefit charges to a federal award. Significant changes in the corresponding work activity should be identified and entered into the accounting records in a timely manner. All necessary adjustments must be made such that the final amount charged to the federal award is accurate, allowable, and properly allocated.

Condition:

The ISC assigned a total of \$125,580 salary and benefit costs for 9 employees to the Title I grant based on budgeted amounts. Personnel activity reports or other comparisons of actual payroll costs, based on time and effort records, to budgeted distributions were not performed and adjustments for actual time spent on the grants, if different from budgeted amounts, were not made. These 9 employees did not submit time sheets, time studies, or other adequate time and effort documentation to support the amount of salaries and benefits charged to Title I expense accounts. A signed certification was later obtained by the ISC during the audit for 1 employee, for salary and benefits totaling \$21,704, asserting he worked 100% of his time on Title I.

Questioned Costs:

Undeterminable.

Context:

Salary and benefits charged to the Title I grant during fiscal year 2017 totaled \$360,237.

Effect:

Since time and effort documentation was not used to allocate the salary and benefit costs of certain employees or used to adjust budgeted time to actual, there is an increased risk that the salary and benefit costs charged to the Title I program does not reflect the actual time worked on the programs.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III – FEDERAL AWARD FINDINGS (CONTINUED)
For the Year Ended June 30, 2017

Finding No. 2017-005 – Salaries and Benefits Not Supported by Proper Time and Effort Documentation (Concluded)

Cause:

According to ISC officials, in previous years, all consultants completed time and effort logs in order to be paid. However, they did not realize salaried staff members had to complete them also.

Auditors' Recommendation:

The ISC should implement a system of internal controls over time and effort reporting for all employees paid with restricted grant funds. The ISC should use time and effort documentation to distribute salary and benefit costs for employees who work in whole or in part on grant program activity in accordance with the Uniform Guidance.

Management's Response:

ISC #4 staff paid through grants spend above and beyond the allocated percentage of time written into the grant; however, ISC #4 staff did not have that documented in writing. Beginning with FY2018, ISC #4 has created a time and effort tracking system for all employees paid via grants.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III – FEDERAL AWARD FINDINGS (CONCLUDED)
For the Year Ended June 30, 2017

Instances of Noncompliance:

Finding No. 2017-002 – Controls Over Timely Expenditure Report Submission

Finding No. 2017-004 – Controls Over Accurate Preparation of Grant Expenditure Reporting and Budgeting

Finding No. 2017-005 – Salaries and Benefits Not Supported by Proper Time and Effort Documentation

Significant Deficiencies:

Finding No. 2017-002 – Controls Over Timely Expenditure Report Submission

Material Weaknesses:

Finding No. 2017-004 – Controls Over Accurate Preparation of Grant Expenditure Reporting and Budgeting

Finding No. 2017-005 – Salaries and Benefits Not Supported by Proper Time and Effort Documentation

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2017**

Corrective Action Plan

Finding No. 2017-001– Controls Over Financial Statement Preparation (Repeat of Prior Year Findings 16-001, 15-001, 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. ISC #4 maintains its accounting records on the cash basis of accounting during the fiscal year. 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 financial information prepared by the ISC, the following were noted:

- The ISC did not have adequate controls over the maintenance of complete records of accounts receivable/due from other governments, accounts payable/due to other governments, unearned revenue, and unavailable revenue. The ISC did not maintain records to indicate the balances of accounts receivable/due from other governments, accounts payable/due to other governments, unearned revenue, and unavailable revenue.
- The ISC did not provide entries to allocate cash and fund balances to the individual funds as presented in the financial statements. The ISC also did not provide entries to create interfund receivables and payables to eliminate negative cash balances within certain funds.
- The ISC's chart of accounts does not track fund activity at the detailed level necessary for presentation in the financial statements and supplemental information of this report. For example, the Workshops proprietary fund and the General Operations fund within the general fund are combined in the same group of accounts within the general ledger.
- The ISC did not record or track prior year audit entries and the associated reversing entries necessary to reflect accurate fund balances in the GAAP based financial statements.
- Contract labor purchased service expenses were recorded in error as salary expense.
- Payroll checks for 10-month employees who choose to be paid over 12 months were pre-written and held at June 30, 2017 instead of being recorded as accrued salaries and written in the month in which they were available for disbursement to employees.
- The ISC did not provide entries to eliminate interfund charges and reimbursements.
- Fixed asset additions under the ISC's capitalization threshold were noted and one fixed asset purchase over the threshold was not tracked as a fixed asset by the ISC.

Audit adjustments were recorded as necessary to recognize and/or correct all of the above listed items.

Through inquiries and discussions with the ISC'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.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS (CONTINUED)
For the Year Ended June 30, 2017

Corrective Action Plan (Concluded)

Finding No. 2017-001– Controls Over Financial Statement Preparation (Repeat of Prior Year Findings 16-001, 15-001, 14-001, 13-001, 12-1, 11-1, 10-1, 09-1 and 08-1) (Concluded)

Plan:

South Cook ISC will hire an accounting firm with experience in complying with financial statement preparation for the FY19 school year.

Anticipated Date of Completion:

August 31, 2018

Name of Contact Person:

Dr. Vanessa Kinder, Executive Director

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS (CONTINUED)
For the Year Ended June 30, 2017**

Corrective Action Plan

Finding No. 2017-002 – Controls Over Timely Expenditure Report Submission (Repeat of Prior Year Finding 16-002)

Federal Program: System of Support Title I – School Improvement and Accountability, Title II – Teacher Quality – Leadership Grant
Project No: 17-4331-SS, 17-4935-02
CFDA No: 84.010A, 84.367A
Passed Through: Illinois State Board of Education, Illinois State Board of Education
Federal Agency: U.S. Department of Education, U.S. Department of Education

Condition:

The South Cook Intermediate Service Center #4's (ISC) internal controls over expenditure report submission were not effective. Several expenditure reports for Illinois State Board of Education grants were not submitted timely. Specifically, the following expenditure reports were not submitted timely:

<u>Program Name</u>	<u>Quarter Ended</u>	<u>Submit Date</u>	<u>Days Late</u>
System of Support Title I – School Improvement and Accountability (17-4331-SS)	6/30/2017	7/22/2017	2
Title II – Teacher Quality – Leadership Grant (17-4935-02)	6/30/2017	7/22/2017	2
Regional Safe Schools (17-3696-00)	6/30/2017	7/22/2017	2
ROE/ISC Operations (17-3730-00)	6/30/2017	7/22/2017	2
ROE/ISC Operations (17-3730-01)	6/30/2017	7/22/2017	2
New Teacher Induction and Mentoring (17-3999-TM)	6/30/2017	7/25/2017	5

Plan:

As the grant ends on June 30, South Cook will stop all grant activities at an earlier date to assure that all processing and billing can be completed before the expenditure reports are due. South Cook will work with outside vendors on getting their expenditures submitted in a timely fashion.

Anticipated Date of Completion:

June 2019

Name of Contact Person:

Dr. Vanessa Kinder, Executive Director

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS (CONTINUED)
For the Year Ended June 30, 2017

Corrective Action Plan

Finding No. 2017-003 – Internal Control Deficiencies

Condition:

During the audit, we noted the following weaknesses in the design of the ISC's system of internal controls over financial reporting:

- A. No supporting documentation is maintained for manual journal entries. Additionally, there is no formal review and approval over the manual journal entry process by an individual independent of the general ledger process.
- B. No documentation is maintained of the reconciliation of deposit totals by account to the general ledger by the Bookkeeper after Bloom Township Trustees of Schools has deposited and recorded the cash receipts.

Plan:

ISC #4 will work with Bloom Township and request copies of reconciliation statements to confirm/verify that ISC #4 accounts were properly reconciled. The ISC #4 Bookkeeper will maintain documentation of reconciliation of deposit totals. To strengthen the internal control, all journal entries will be approved by the Executive Director after the Bookkeeper has completed them. Monthly journal entry reports will be submitted by the Bookkeeper to the Executive Director.

Anticipated Date of Completion:

June 30, 2019

Name of Contact Person:

Dr. Vanessa Kinder, Executive Director

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS (CONTINUED)
For the Year Ended June 30, 2017

Corrective Action Plan

Finding No. 2017-004 – Controls Over Accurate Preparation of Grant Expenditure Reporting and Budgeting

Federal Program: System of Support Title I – School Improvement and Accountability
Project No: 17-4331-SS
CFDA No: 84.010A
Passed Through: Illinois State Board of Education
Federal Agency: U.S. Department of Education

Condition:

The ISC did not have adequate internal controls over the preparation of grant expenditure reports and budgets. The following was noted:

- Purchased service costs for 3 contract laborers, totaling \$77,088, were recorded and reported as salary expense in the ISC’s expenditure reports. These contract laborers were not employees of the ISC and were not paid through payroll, although they were budgeted as such.
- Purchased service costs totaling \$1,143 for an additional 3 contract laborers were budgeted in a salary account (2210-100), although they were correctly recorded and reported as purchased service costs. The budget was not revised as of June 30, 2017 to reflect the correct expense classification.
- A payment of \$3,825 to a Title I presenter was inadvertently recorded to a Principal Mentoring grant expense account and was not included on the Title I expenditure report, resulting in incomplete expenses on the June 30, 2017 expenditure report.

Plan:

ISC #4 will ensure that as staffing positions are filled, grants will be amended as necessary and staff will be paid either through the payroll process if they are employees or through the payable process if they are consultants.

Anticipated Date of Completion:

July 2019

Name of Contact Person:

Dr. Vanessa Kinder, Executive Director

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS (CONCLUDED)
For the Year Ended June 30, 2017

Corrective Action Plan

Finding No. 2017-005 – Salaries and Benefits Not Supported by Proper Time and Effort Documentation

Federal Program: System of Support Title I – School Improvement and Accountability
Project No: 17-4331-SS
CFDA No: 84.010A
Passed Through: Illinois State Board of Education
Federal Agency: U.S. Department of Education

Condition:

The ISC assigned a total of \$125,580 salary and benefit costs for 9 employees to the Title I grant based on budgeted amounts. Personnel activity reports or other comparisons of actual payroll costs, based on time and effort records, to budgeted distributions were not performed and adjustments for actual time spent on the grants, if different from budgeted amounts, were not made. These 9 employees did not submit time sheets, time studies, or other adequate time and effort documentation to support the amount of salaries and benefits charged to Title I expense accounts. A signed certification was later obtained by the ISC during the audit for 1 employee, for salary and benefits totaling \$21,704, asserting he worked 100% of his time on Title I.

Plan:

ISC #4 has created a time and effort tracking system for all employees paid via grants.

Anticipated Date of Completion:

December 2017

Name of Contact Person:

Dr. Vanessa Kinder, Executive Director

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS NOT REPEATED
For the Year Ended June 30, 2017

Not applicable in the current year.

BASIC FINANCIAL STATEMENTS

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,833,107	\$ 1,361,382	\$ 4,194,489
Due from (to) other funds	(10,245)	10,245	-
Due from other governments:			
Local	88,722	-	88,722
State	475,444	-	475,444
Total current assets	<u>3,387,028</u>	<u>1,371,627</u>	<u>4,758,655</u>
NONCURRENT ASSETS:			
Capital assets, net of depreciation	2,735,482	-	2,735,482
Total noncurrent assets	<u>2,735,482</u>	<u>-</u>	<u>2,735,482</u>
TOTAL ASSETS	<u>6,122,510</u>	<u>1,371,627</u>	<u>7,494,137</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	449,741	-	449,741
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	32,220	-	32,220
Accrued payroll and employee benefits	106,392	-	106,392
Due to other governments:			
State	90	-	90
Unearned revenue	64,757	-	64,757
Total current liabilities	<u>203,459</u>	<u>-</u>	<u>203,459</u>
NONCURRENT LIABILITIES			
Net OPEB liability	69,844	-	69,844
Net pension liability	890,663	-	890,663
Total noncurrent liabilities	<u>960,507</u>	<u>-</u>	<u>960,507</u>
TOTAL LIABILITIES	<u>1,163,966</u>	<u>-</u>	<u>1,163,966</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	801,138	-	801,138
NET POSITION			
Investment in capital assets	2,735,482	-	2,735,482
Restricted-other	689,713	-	689,713
Unrestricted	1,181,952	1,371,627	2,553,579
TOTAL NET POSITION	<u>\$ 4,607,147</u>	<u>\$ 1,371,627</u>	<u>\$ 5,978,774</u>

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

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants & Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
PRIMARY GOVERNMENT						
Governmental activities:						
Instructional services:						
Salaries	\$ 2,832,276	\$ 1,089,327	\$ 1,010,486	\$ (732,463)	\$ -	\$ (732,463)
Employee benefits	507,232	208,312	171,465	(127,455)	-	(127,455)
Purchased services	982,128	213,536	586,493	(182,099)	-	(182,099)
Supplies and materials	142,323	53,821	40,157	(48,345)	-	(48,345)
Other objects	7,599	3,939	-	(3,660)	-	(3,660)
Payments to other governments	37,750	-	-	(37,750)	-	(37,750)
Depreciation	167,138	-	-	(167,138)	-	(167,138)
Capital outlay	-	-	-	-	-	-
Pension expense (benefit)	(41,278)	62,386	59,210	162,874	-	162,874
Administrative:						
On-behalf payments	1,297,251	-	-	(1,297,251)	-	(1,297,251)
Total Governmental Activities	<u>5,932,419</u>	<u>1,631,321</u>	<u>1,867,811</u>	<u>(2,433,287)</u>	<u>-</u>	<u>(2,433,287)</u>
Business-type activities:						
Charges for services	38,545	314,394	-	-	275,849	275,849
Total business-type activities	<u>38,545</u>	<u>314,394</u>	<u>-</u>	<u>-</u>	<u>275,849</u>	<u>275,849</u>
Total primary government	<u>\$ 5,970,964</u>	<u>\$ 1,945,715</u>	<u>\$ 1,867,811</u>	<u>(2,433,287)</u>	<u>275,849</u>	<u>(2,157,438)</u>
General revenues:						
Local sources				108,403	-	108,403
State sources				975,552	-	975,552
On-behalf payments				1,297,251	-	1,297,251
Interest				2,130	47,658	49,788
Transfers				527,947	(527,947)	-
Total general revenues				<u>2,911,283</u>	<u>(480,289)</u>	<u>2,430,994</u>
Change in net position				477,996	(204,440)	273,556
Net position - beginning				4,129,151	1,576,067	5,705,218
Net position - ending				<u>\$ 4,607,147</u>	<u>\$ 1,371,627</u>	<u>\$ 5,978,774</u>

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

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Education Fund	Institute Fund	Eliminations	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,096,417	\$ 117,298	\$ 619,392	\$ -	\$ 2,833,107
Due from other funds	503,831	-	-	(503,831)	-
Due from other governments:					
Local	-	88,722	-	-	88,722
State	-	475,444	-	-	475,444
Total assets	<u>2,600,248</u>	<u>681,464</u>	<u>619,392</u>	<u>(503,831)</u>	<u>3,397,273</u>
DEFERRED OUTFLOWS OF RESOURCES					
	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
	<u>\$ 2,600,248</u>	<u>\$ 681,464</u>	<u>\$ 619,392</u>	<u>\$ (503,831)</u>	<u>\$ 3,397,273</u>
LIABILITIES					
Accounts payable	\$ -	\$ 32,220	\$ -	\$ -	\$ 32,220
Accrued payroll and employee benefits	106,392	-	-	-	106,392
Due to other funds	-	514,076	-	(503,831)	10,245
Due to other governments:					
State	-	90	-	-	90
Unearned revenue	-	64,757	-	-	64,757
Total liabilities	<u>106,392</u>	<u>611,143</u>	<u>-</u>	<u>(503,831)</u>	<u>213,704</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	190,303	-	-	190,303
FUND BALANCES					
Restricted	-	70,321	619,392	-	689,713
Assigned	2,405,613	-	-	-	2,405,613
Unassigned	88,243	(190,303)	-	-	(102,060)
Total fund balance	<u>2,493,856</u>	<u>(119,982)</u>	<u>619,392</u>	<u>-</u>	<u>2,993,266</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
	<u>\$ 2,600,248</u>	<u>\$ 681,464</u>	<u>\$ 619,392</u>	<u>\$ (503,831)</u>	<u>\$ 3,397,273</u>

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

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2017**

Total fund balances - governmental funds \$ 2,993,266

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

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds. 2,735,482

Some revenues will not be collected for several months after the Intermediate Service Center #4 fiscal year end; they are not considered "available" revenues and are deferred in the governmental funds.

Current year unavailable revenue 190,303
State sources

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore are not reported in the governmental funds as follows:

Deferred outflows of resources	\$ 449,741	
Deferred inflows of resources	<u>(801,138)</u>	(351,397)

Long-term liabilities are not due and payable in the current period, and therefore are not reported in the governmental funds.

Other post-employment benefit obligation		(69,844)
Net pension liability		<u>(890,663)</u>

Net position of governmental activities \$ 4,607,147

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

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General Fund	Education Fund	Institute Fund	Total Governmental Funds
REVENUES				
Local sources	\$ 1,466,777	\$ 50,889	\$ -	\$ 1,517,666
State sources	975,552	748,688	272,947	1,997,187
Federal sources	-	895,686	-	895,686
Interest	-	-	2,130	2,130
On-behalf payments	17,596	-	-	17,596
Total revenues	<u>2,459,925</u>	<u>1,695,263</u>	<u>275,077</u>	<u>4,430,265</u>
EXPENDITURES				
Instructional services				
Salaries	1,725,889	985,513	120,874	2,832,276
Employee benefits	280,614	167,255	39,461	487,330
Pension expense	82,165	57,741	12,413	152,319
Purchased services	410,164	571,964	-	982,128
Supplies and materials	102,790	39,339	194	142,323
Payments to other governments	37,750	-	-	37,750
Other objects	7,599	-	-	7,599
On-behalf payments	17,596	-	-	17,596
Capital outlay	22,986	-	-	22,986
Total expenditures	<u>2,687,553</u>	<u>1,821,812</u>	<u>172,942</u>	<u>4,682,307</u>
Excess/(deficiency) of revenues over/ (under) expenditures	<u>(227,628)</u>	<u>(126,549)</u>	<u>102,135</u>	<u>(252,042)</u>
OTHER FINANCING SOURCES/(USES)				
Transfers in	527,947	-	-	527,947
Total other financing sources (uses)	<u>527,947</u>	<u>-</u>	<u>-</u>	<u>527,947</u>
Net change in fund balances	300,319	(126,549)	102,135	275,905
FUND BALANCES - BEGINNING OF YEAR	<u>2,193,537</u>	<u>6,567</u>	<u>517,257</u>	<u>2,717,361</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,493,856</u>	<u>\$ (119,982)</u>	<u>\$ 619,392</u>	<u>\$ 2,993,266</u>

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

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, 2017

Net change in fund balances \$ 275,905

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	\$ 22,986	
Depreciation expense	<u>(167,138)</u>	(144,152)

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

Prior year unavailable revenue		
State sources		(17,755)
Current year unavailable revenue		
State sources		190,303

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.

Cost of pension benefits earned, net		193,597
--------------------------------------	--	---------

The increase in OPEB obligations resulting from annual required contributions in excess of the annual contributions do not require the use of current financial resources, and therefore is not reported as an expenditure in the governmental funds.

		<u>(19,902)</u>
--	--	-----------------

Change in net position of governmental activities		<u><u>\$ 477,996</u></u>
---	--	--------------------------

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

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business-type Activities Enterprise Funds		Total
	Workshop Fund	Nonmajor Enterprise Funds	
		Fingerprinting Fund	
Assets			
Cash and cash equivalents	\$ 1,305,438	\$ 55,944	\$ 1,361,382
Due from other funds	10,245	-	10,245
Total Assets	1,315,683	55,944	1,371,627
Liabilities	-	-	-
Net Position			
Unrestricted	1,315,683	55,944	1,371,627
Total Net Position	\$ 1,315,683	\$ 55,944	\$ 1,371,627

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

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-type Activities		Total
	Enterprise Funds		
	Workshop Fund	Nonmajor Enterprise Funds Fingerprinting Fund	
Operating revenues			
Charges for services	\$ 283,832	\$ 30,562	\$ 314,394
Operating expenses			
Salaries	-	4,768	4,768
Benefits	-	1,164	1,164
Purchased services	17,613	15,000	32,613
Total operating expenses	<u>17,613</u>	<u>20,932</u>	<u>38,545</u>
Operating excess of revenues over expenditures	<u>266,219</u>	<u>9,630</u>	<u>275,849</u>
Non-operating revenues			
Interest	47,658	-	47,658
Other financing sources/(uses)			
Transfers out	(527,947)	-	(527,947)
Total other financing sources /(uses)	<u>(527,947)</u>	<u>-</u>	<u>(527,947)</u>
Change in net position	(214,070)	9,630	(204,440)
Net position, beginning of year	<u>1,529,753</u>	<u>46,314</u>	<u>1,576,067</u>
Net position, end of year	<u>\$ 1,315,683</u>	<u>\$ 55,944</u>	<u>\$ 1,371,627</u>

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

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-type Activities Enterprise Funds		Total
	Workshop	Nonmajor Enterprise Funds Fingerprinting Fund	
Cash flows from operating activities			
Receipts from customers	\$ 300,346	\$ 30,562	\$ 330,908
Payments to suppliers and providers of goods and services	(22,048)	(15,000)	(37,048)
Payments to employees	-	(5,932)	(5,932)
Net cash provided by operating activities	<u>278,298</u>	<u>9,630</u>	<u>287,928</u>
Cash flows from investing activities			
Interest earned on deposits	47,658	-	47,658
Net cash provided by investing activities	<u>47,658</u>	<u>-</u>	<u>47,658</u>
Cash flows from noncapital financing activities:			
Cash transfer from interfund borrowings	(10,245)	-	(10,245)
Cash transfer to other funds	(527,947)	-	(527,947)
Net cash provided by (used for) noncapital financing activities	<u>(538,192)</u>	<u>-</u>	<u>(538,192)</u>
Net increase (decrease) in cash and cash equivalents	(212,236)	9,630	(202,606)
Cash and cash equivalents - Beginning of year	<u>1,517,674</u>	<u>46,314</u>	<u>1,563,988</u>
Cash and cash equivalents - End of year	<u>\$ 1,305,438</u>	<u>\$ 55,944</u>	<u>\$ 1,361,382</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 266,219	\$ 9,630	\$ 275,849
Adjustments to reconcile operating income to net cash provided by operating activities:			
(Increase)/decrease in assets:			
Accounts receivable	1,046	-	1,046
Due from other governments	15,468	-	15,468
Increase/(Decrease) in liabilities:			
Accounts payable	(2,750)	-	(2,750)
Due to other governments	(1,685)	-	(1,685)
Net cash provided by operating activities	<u>\$ 278,298</u>	<u>\$ 9,630</u>	<u>\$ 287,928</u>

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

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The South Cook Intermediate Service Center #4 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

In 2017, the South Cook Intermediate Service Center #4 implemented Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 77, *Tax Abatement Disclosures*; GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Pension Plans*; GASB Statement No. 80, *Blending Requirement for Certain Component Units – An Amendment of GASB Statement No. 14*; and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The implementation of GASB Statement No. 74 establishes standards for the financial reports of defined benefit OPEB plans administered through trusts that meet specified criteria. The implementation of GASB Statement No. 77 requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government’s tax revenues. The implementation of GASB Statement No. 78 amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local government employers through cost-sharing multiple-employer defined pension plan and establishes requirements for recognition and measurement of pension expense, expenditures, liabilities, note disclosures, and required supplementary information for pensions. The implementation of GASB Statement No. 80 provides clarity on how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The implementation of GASB Statement No. 82 clarifies the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in the Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee or plan member contribution requirements.

A. DATE OF MANAGEMENT’S REVIEW

Management has evaluated subsequent events through July 31, 2018, the date when the financial statements were available to be issued.

B. FINANCIAL REPORTING ENTITY

The portion of Cook County, Illinois, outside of the City of Chicago, 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).

The purpose of South Cook Intermediate Service Center #4 is to provide services designed to be responsive to the needs of the schools in South Cook County, Illinois. This area includes the following school districts and the associated special education cooperatives:

Summit School Dist. #104	Evergreen Park School Dist. #124
Central Stickney School Dist. #110	Worth School Dist. #127
North Palos School Dist. #117	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

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FINANCIAL REPORTING ENTITY (Concluded)

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. #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. #159	H-F Community H.S. Dist. #233

South Cook Intermediate Service Center #4 is governed by a 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.

C. SCOPE OF REPORTING ENTITY

The South Cook Intermediate Service Center #4's reporting entity includes all related organizations for which they exercise oversight responsibility.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SCOPE OF REPORTING ENTITY (Concluded)

The South Cook Intermediate Service Center #4 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the region, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the South Cook Intermediate Service Center #4 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the South Cook Intermediate Service Center #4 does not control the assets, operations, or management of the districts or joint agreements. In addition, the South Cook Intermediate Service Center #4 is not aware of any entity, which would exercise such oversight as to result in the South Cook Intermediate Service Center #4 being considered a component unit of the entity.

D. GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The South Cook Intermediate Service Center #4's government-wide financial statements include a Statement of Net Position and a Statement of Activities and report information on all of the non-fiduciary activities of the South Cook Intermediate Service Center #4. These statements present a summary of governmental and business-type activities for the South Cook Intermediate Service Center #4 accompanied by a total column and are presented on an "economic resources" measurement focus as prescribed by GASB Statement No. 34. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues. The South Cook Intermediate Service Center #4 also has business-type activities that rely on fees and charges for support.

All of the South Cook Intermediate Service Center #4's assets, including capital assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and any fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and reported in a single column.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. GOVERNMENT-WIDE 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 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 sources and other uses on the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Position. 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, if applicable. In the Statement of Activities those transactions between governmental and business-type activities, if applicable, have not been eliminated.

E. 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.” “Measurable” means that the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. All revenues are considered “available” if they are collected within 60 days after year end. Revenues received more than 60 days after the end of the current period are deferred inflows of resources in the governmental fund financial statements but are recognized as current revenues in the government-wide financial statements. 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.

F. 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources (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, if any, are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses, if any, are reported as non-operating expenses.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all 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 plus deferred outflows of resources and current liabilities plus deferred inflows of resources are generally included on their balance sheets. The 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 South Cook 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.

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 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 South Cook 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. Fund accounting segregates funds according to their intended purposes and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The South Cook 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.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

Governmental Funds (Continued)

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 South Cook Intermediate Service Center #4 has presented all major funds that met the above qualifications.

The South Cook 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. General Funds include the following:

RISE and General State Aid – 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. General State Aid Funds received from the Illinois State Board of Education resulting from students attending the RISE school are also accounted for in this fund.

Local – This program is used for the general operation of the Center, located at 253 West Joe Orr Road, Chicago Heights, Illinois.

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. Squeeze ‘N Reads™ are 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.

Major 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:

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

Governmental Funds (Continued)

Major Special Revenue Fund (Concluded)

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:

ROE/ISC Ops Health and Life Safety Program – This program uses funds to inspect all public school buildings and school-related buildings on an annual basis for compliance with standards necessary to ensure the health and safety of public schools in Illinois. Revenue in this fund comes from the ROE/ISC Operations 3730-01 grant from the Illinois State Board of Education.

Learning Technology Center – This program uses Tech for Success State grant monies distributed by West 40 Intermediate Service Center #2 for technology related expenses.

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.

New Teacher Induction and Mentoring – This program uses New Teacher Induction and Mentoring State grant funds passed through the Illinois State Board of Education to provide support services to new teachers that typically include mentoring, professional development, and formative assessment of teaching practices in an effort to retain new teachers and improve their skills and effectiveness.

Regional Safe Schools – 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.

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

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 6–9.

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.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Concluded)

Governmental Funds (Concluded)

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.

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:

Major Proprietary Fund – The South Cook Intermediate Service Center #4 reports the following proprietary fund as a major fund:

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

Nonmajor Proprietary Fund – The South Cook Intermediate Service Center #4 reports the following nonmajor proprietary fund:

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 may be presented in the Governmental Funds Balance Sheet and Governmental Funds Combining Schedule of Accounts:

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. The Center has no nonspendable fund balances.

Restricted Fund Balance – the portion of a Governmental Fund’s net position that is subject to external enforceable legal restrictions. The ROE/ISC Ops Health and Life Safety Program and Learning Technology Center funds have restricted fund balances. The Institute Fund is restricted by Illinois Statute.

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. The Center has no committed fund balances.

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 fund has an assigned fund balance: RISE and General State Aid.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. GOVERNMENTAL FUND BALANCES (Concluded)

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: Local and Squeeze and Read. The following Education fund accounts have an unassigned fund deficit: Regional Safe Schools.

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: ROE/ISC Ops Health and Life Safety Program, McKinney-Vento Education for Homeless Children and Youth, New Teacher Induction and Mentoring, Regional Safe Schools, ROE/ISC Operations, 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.

M. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$1,000 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.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. CAPITAL ASSETS (Concluded)

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. There was \$64,757 unearned revenue as of June 30, 2017.

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.

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.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

R. INDIRECT COSTS

South Cook Intermediate Service Center #4 may charge funds for centralized expenses, which may include an administrative overhead component. These interfund administrative overhead charges are not eliminated and are included in the direct expenses of the fund they are charged to and in revenue of the fund they are charged from.

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, 2017, the carrying amount of the Intermediate Service Center #4's Government-wide deposits were \$4,194,489, including \$4,138,270 held on deposit with Bloom Township School Treasurer, an imprest account totaling \$10,000, \$200 cash on hand, \$45,019 investment in Illinois Money Market Funds, and a separate deposit account totaling \$1,000. The bank balances for the imprest account and separate deposit account were \$9,810 and \$1,000, respectively, which were fully covered by federal depository insurance. Risk category was not determinable for the amount pooled and held on deposit with a separate legal governmental agency (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, 2017, the Intermediate Service Center #4 had investments with carrying and fair value of \$45,019 invested in the Illinois Funds Money Market Fund.

CREDIT RISK

At June 30, 2017, the Illinois Funds Money Market Fund had a Standard and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provision of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS (Concluded)

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 – DEFINED BENEFIT PENSION PLAN

IMRF 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 a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

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

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

Employees Covered by Benefit Terms

As of December 31, 2016, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries currently receiving benefits	13
Inactive Plan Members entitled to but not yet receiving benefits	47
Active Plan Members	24
Total	84

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. ISC #4’s annual contribution rate for calendar year 2016 was 12.32%. For the calendar year ended 2016, ISC #4 contributed \$96,231 to the plan. ISC #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.

Net Pension Liability

ISC #4’s net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

- 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 as of December 31, 2016:

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

Single Discount Rate

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

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

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

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) - (B)
Balances at December 31, 2015	\$ 2,812,702	\$ 2,422,231	\$ 390,471
Changes for the year:			
Service Cost	96,563	-	96,563
Interest on the Total Pension Liability	212,157	-	212,157
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(245,071)	-	(245,071)
Changes of Assumptions	-	-	-
Contributions - Employer	-	96,230	(96,230)
Contributions - Employees	-	35,149	(35,149)
Net Investment Income	-	167,330	(167,330)
Benefit Payments, including Refunds of Employee Contributions	(66,957)	(66,957)	-
Other (Net Transfer)	-	(2,671)	2,671
Net Changes	(3,308)	229,081	(232,389)
Balances at December 31, 2016	\$ 2,809,394	\$ 2,651,312	\$ 158,082

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)	\$ 580,553	\$ 158,082	\$ (184,519)

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Concluded)

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

For the year ended June 30, 2017, the South Cook Intermediate Service Center #4 recognized pension expense of \$98,251. At June 30, 2017, 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 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	\$ 5,112	\$ 159,208
Changes of assumptions	8,937	-
Net difference between projected and actual earnings on pension plan investments	<u>161,261</u>	<u>-</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>175,310</u>	<u>159,208</u>
<i>Pension Contributions made Subsequent to the Measurement Date</i>		
	<u>53,775</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u>\$ 229,085</u>	<u>\$ 159,208</u>

\$53,775 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending December 31,	Net Deferred Outflows of Resources	Net Deferred Inflows of Resources
2017	\$ 69,902	\$ 85,863
2018	56,500	73,345
2019	45,984	-
2020	2,924	-
2021	-	-
Thereafter	-	-
Total	<u>\$ 175,310</u>	<u>\$ 159,208</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

ISC #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://trsil.org/financial/cafrs/fy2016>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 678-3675, option 2.

Benefits provided

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

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

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

Contributions

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2016, was 9.4 percent of creditable earnings. On July 1, 2016, the rate dropped to 9.0 percent of pay due to the expiration of the Early Retirement Option (ERO). The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by ISC #4.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

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, 2017, State of Illinois contributions recognized by ISC #4 were based on the State's proportionate share of the collective net pension liability associated with ISC #4, and ISC #4 recognized revenue and expenditures of \$1,279,655 in pension contributions from the State of Illinois.

2.2 formula contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2017, were \$9,112 and are deferred because they were paid after the June 30, 2016 measurement date.

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by ISC #4, there is a statutory requirement for ISC #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, 2017, the employer pension contribution was 38.54 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2017, salaries totaling \$102,246 were paid from federal and special trust funds that required employer contributions of \$39,406. These contributions are deferred because they were paid after June 30, 2016, measurement date.

Employer retirement cost contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The 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 program that ended on June 30, 2016 is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2017, ISC #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, 2017, ISC #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, 2017, ISC #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:

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

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

Employers proportionate share of the net pension liability	\$ 732,581
State’s proportionate share of the net pension liability associated with the employer	<u>13,030,305</u>
Total	<u>\$13,762,886</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, and rolled forward to June 30, 2016. ISC #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, 2016, relative to the contributions of all participating TRS employers and the State during that period. At June 30, 2016, ISC #4’s proportion was .00092806930 percent, which was an increase of .00002756913 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, ISC #4 recognized pension expense of \$1,279,655 and revenue of \$1,279,655 for support provided by the State. For the year ended June 30, 2017, the South Cook Intermediate Service Center #4 recognized a pension benefit of \$164,294. At June 30, 2017, ISC #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	\$ 5,417	\$ 497
Net difference between projected and actual earnings on pension plan investments	20,697	-
Change of assumptions	62,918	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	83,106	641,433
Employer contributions subsequent to the measurement date	48,518	-
Total	\$ 220,656	\$ 641,930

\$48,518 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,			
2018	\$	(228,560)	
2019		(228,560)	
2020		(30,458)	
2021		15,821	
2022		1,965	
Total	\$	(469,792)	

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

Actuarial assumptions

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equities large cap	14.4%	6.94%
U.S. equities small/mid cap	3.6%	8.09%
International equities developed	14.4%	7.46%
Emerging market equities	3.6%	10.15%
U.S. bonds core	10.7%	2.44%
International debt developed	5.3%	1.70%
Real estate	15.0%	5.44%
Commodities (real return)	11%	4.28%
Hedge funds (absolute return)	8%	4.16%
Private equity	14%	10.63%
Total	<u>100%</u>	

Discount Rate

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

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Concluded)

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

At June 30, 2015, the discount rate used to measure the total pension liability was 7.47 percent. The discount rate was the same as the actuarially-assumed rate of return on investments that year because TRS’s fiduciary net position and the subsidy provided by Tier II were sufficient to cover all projected benefit payments.

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

	1% Decrease (5.83%)	Current Discount Rate (6.83%)	1% Increase (7.83%)
Employer’s proportionate share of the net pension liability	\$ 895,977	\$ 732,581	\$ 599,131

TRS fiduciary net position

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

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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 post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the 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 a Medicare Advantage plan.

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. The plan is administered by 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 the Center. State contributions are intended to match contributions to THIS Fund from active members which were 1.12% of pay during the year ended June 30, 2017. State of Illinois contributions were \$17,596, and ISC #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, 2016 and June 30, 2015 were 1.07 and 1.02 percent of pay, respectively. State contributions on behalf of ISC #4 employees were \$17,513 and \$12,253, respectively.

Employer contributions to THIS Fund. ISC #4 also makes contributions to the THIS Fund. ISC #4's THIS fund contribution was 0.84 percent during the year ended June 30, 2017. For the year ended June 30, 2017, ISC #4 paid \$13,197 to the THIS fund, which was 100% of the required contribution. For the years ended June 30, 2016 and 2015, the South Cook Intermediate Service Center #4 paid \$13,093 and \$12,252, respectively, which was 100% 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" (<http://www.auditor.illinois.gov/Audit-Reports/CMS-THISF.asp>). Prior reports are available under "Healthcare and Family Services" (<http://www.auditor.illinois.gov/Audit-Reports/HEALTHCARE-FAMILY-SERVICES-Teacher-Health-Ins-Sec-Fund.asp>).

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (Continued)

B. ILLINOIS MUNICIPAL RETIREMENT FUND – HEALTH INSURANCE

Plan Description and Actuarial Valuation. In addition to providing the pension benefits described in Note 3, the South Cook Intermediate Service Center #4 provides post employment 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 South Cook Intermediate Service Center #4 and can be amended by board approval. 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 employees 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, South Cook Intermediate Service Center #4 was required to have an actuarial valuation for the year ended June 30, 2016. July 1, 2015 is the most recent actuarial valuation of ISC #4's plan. The results of ISC #4's latest actuarial valuation are described below.

Benefits Provided. ISC #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 South Cook Intermediate Service Center #4 retirement plan. Upon a retiree reaching 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 ISC #4's insurance provider.

Membership. At July 1, 2015, the date of the actuarial valuation, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	-
Terminated Employees Entitled to Benefits but not yet Receiving Them	-
Active Employees	6
TOTAL	6
Number of Participating Employers	1

Funding Policy. The South Cook 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.

Annual OPEB Costs and OPEB Obligation. The South Cook Intermediate Service Center #4 had an actuarial valuation performed for the plan as of July 1, 2015 to determine the funded status of the plan as of that date and the employer's annual required contribution (ARC) for the fiscal year ended June 30, 2016. ISC #4's annual OPEB cost (expense) for the year ended June 30, 2017 was \$19,902, which increased the net pension obligation to \$69,844 as of that date. ISC #4's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2016 and 2017 was as follows:

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (Concluded)

B. ILLINOIS MUNICIPAL RETIREMENT FUND – HEALTH INSURANCE (Concluded)

Annual OPEB Costs and OPEB Obligation (Concluded)

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 21,693	\$ 1,791	8.26%	\$ 69,844
June 30, 2016	21,693	1,791	8.26%	49,942

The OPEB obligation as of June 30, 2017, was calculated as follows:

Annual Required Contribution	\$ 22,098
Interest on OPEB Obligation	1,502
Adjustment to Annual Required Contribution	(1,907)
Annual OPEB Cost	<u>21,693</u>
Estimated Annual Employer Contributions	(1,791)
Increase in OPEB Obligation	<u>19,902</u>
OPEB Obligation Beginning of Year	49,942
OPEB Obligation End of Year	<u><u>\$ 69,844</u></u>

Funded Status and Funding Progress. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions and 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability 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, 2015 actuarial valuation, the unit credit cost method was used. The actuarial assumptions included a discount rate of 5.00% and an initial healthcare cost trend rate of 6.50% with a 5.00% increase for 2018-2019 and later years. Both rates include a 2.00% inflation assumption.

The actuarial value of assets was not determined as ISC #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, 2015 was 30 years.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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. ISC #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, ISC #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, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities:				
Equipment	\$ 2,081,088	\$ 22,986	\$ -	\$ 2,104,074
Building	4,115,795	-	-	4,115,795
Governmental Activities Total Assets	<u>6,196,883</u>	<u>22,986</u>	<u>-</u>	<u>6,219,869</u>
Less Accumulated Depreciation				
Equipment	(1,749,230)	(63,484)	-	(1,812,714)
Building	(1,568,019)	(103,654)	-	(1,671,673)
Total Accumulated Depreciation	<u>(3,317,249)</u>	<u>(167,138)</u>	<u>-</u>	<u>(3,484,387)</u>
Governmental Activities				
Investment in Capital Assets, Net	<u>\$ 2,879,634</u>	<u>\$ (144,152)</u>	<u>\$ -</u>	<u>\$ 2,735,482</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, 2017 of \$167,138 was charged to the governmental activities instructional services function 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 fund contributions	\$ 17,596
ISC #4's share of TRS pension expense	<u>1,279,655</u>
Total	<u>\$ 1,297,251</u>

ISC #4 also recorded \$1,279,655 in revenue and expenses as on-behalf payments from the Illinois State Board of Education for the ISC's share of the State's Teachers' Retirement System pension expense in the Statement of Activities. In addition, ISC #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, 2017

NOTE 9 – DUE FROM/TO OTHER GOVERNMENTS

ISC #4's Education Fund have funds due from/ to various other governmental units which consist of the following:

Due from Other Governments:

Special Revenue Fund – Education Fund		
Local Governments	\$	88,722
Illinois State Board of Education		475,444
Total	\$	564,166

Due to Other Governments:

Special Revenue Fund – Education Fund		
Illinois State Board of Education	\$	90
Total	\$	90

NOTE 10 – INTERFUND ACTIVITY

Interfund due to/from fund balances at June 30, 2017 consist of the following individual due to/from other funds in the governmental fund Balance Sheet and the proprietary fund Statement of Net Position. The balances between governmental funds and proprietary funds were eliminated in the government-wide Statement of Net Position. The purpose of interfund borrowing was to cover temporary shortfalls in cash flow within grant programs and funds.

Fund	Due From Other Funds	Due to Other Funds
General Funds		
RISE	\$ 503,831	\$ -
Major Special Revenue Fund – Education Funds		
Learning Technology Center	-	36,600
Regional Safe Schools	-	286,507
South Cook Mathematics Initiative	-	2,122
Title I – School Improvement and Accountability	-	170,647
Title II – Teacher Quality – Leadership Grant	-	18,200
Major Proprietary Fund – Workshop Fund	10,245	-
	\$ 514,076	\$ 514,076

Interfund transfers in/out to other fund balances at June 30, 2017 consist of the following individual transfers in/out to other funds in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Position. These transfers were made in order to meet operating cost needs in the receiving fund.

Fund	Transfers In	Transfers Out
General Funds		
Local	\$ 527,947	\$ -
Major Proprietary Fund		
Workshop Fund	-	527,947
	\$ 527,947	\$ 527,947

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Generally accepted accounting principles require disclosure of certain information concerning individual funds which are presented only in combination on the financial statements. Funds having deficit fund balances/net position and funds which over expend appropriations during the year are required to be disclosed.

The following fund had a deficit fund balance at June 30, 2017:

Special Revenue Fund – Education Fund – Regional Safe Schools	\$ 190,303
--	----------------------

NOTE 12 – RESTATEMENT OF NET ASSETS

Within the general fund accounts, beginning fund balance was reclassified between Local and RISE and General State Aid. The Local fund balance was separated from the RISE and General State Aid fund balance to be reported separately on the Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances within Supplemental Information. This reclassification resulted in no change to total beginning fund balance of the general fund.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY & RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND
LAST THREE CALENDAR YEARS

Calendar Year Ended December 31,	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service Cost	\$ 96,563	\$ 98,567	\$ 107,890
Interest on the Total Pension Liability	212,157	194,281	170,633
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(245,071)	10,591	13,349
Changes of Assumptions	-	-	87,624
Benefit Payments, including Refunds of Employee Contributions	(66,957)	(61,238)	(59,061)
Net Change in Total Pension Liability	(3,308)	242,201	320,435
Total Pension Liability - Beginning	2,812,702	2,570,501	2,250,066
Total Pension Liability - Ending (A)	<u>\$ 2,809,394</u>	<u>\$ 2,812,702</u>	<u>\$ 2,570,501</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 96,230	\$ 98,510	\$ 102,270
Contributions - Employees	35,149	38,447	38,224
Net Investment Income	167,330	(35,585)	115,205
Benefit Payments, including Refunds of Employee Contributions	(66,957)	(61,238)	(59,061)
Other (Net Transfer)	(2,671)	1,965	1,521
Net Change in Plan Fiduciary Net Position	229,081	42,099	198,159
Plan Fiduciary Net Position - Beginning	2,422,231	2,380,132	2,181,973
Plan Fiduciary Net Position - Ending (B)	<u>\$ 2,651,312</u>	<u>\$ 2,422,231</u>	<u>\$ 2,380,132</u>
Net Pension Liability - Ending (A) - (B)	<u>\$ 158,082</u>	<u>\$ 390,471</u>	<u>\$ 190,369</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.37%	86.12%	92.59%
Covered Valuation Payroll	\$ 781,092	\$ 854,383	\$ 833,221
Net Pension Liability as a Percentage of Covered Valuation Payroll	20.24%	45.70%	22.85%

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
LAST THREE CALENDAR YEARS**

<u>Calendar Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a Percentage of Covered Valuation Payroll</u>
2014	\$ 95,154	\$ 102,270	\$ 7,116	\$ 833,221	12.27%
2015	98,510	98,510	-	854,383	11.53%
2016	96,231	96,230	(1)	781,092	12.32%

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.

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

Valuation Date:

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

Methods and Assumptions Used to Determine 2016 Contribution Rates:

Actuarial Cost Method: Aggregate entry age = normal
Amortization Method: Level percentage of payroll, closed
Remaining Amortization Period: 28-year closed period
Asset Valuation Method: 5-year smoothed market; 20% corridor
Wage Growth: 3.5%
Price Inflation: 2.75%, 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-2014 Blue Collar Health Annuitant Mortality Table, adjusted to match current IMRF experience. For disabled lives, an IMRF specific mortality table was used with fully generational projection scale of MP-2014 (base year 2012). 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 of MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes: There were no benefit changes during the year.

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

**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, 2017†**

	<u>FY16*</u>	<u>FY15*</u>	<u>FY14*</u>
Employer's proportion of the net pension liability	0.0009280693%	0.0009005002%	0.0004289567%
Employer's proportionate share of the net pension liability	\$ 732,581	\$ 589,918	\$ 261,056
State's proportionate share of the net pension liability associated with the employer	<u>13,030,305</u>	<u>10,249,832</u>	<u>9,485,250</u>
Total	<u><u>\$ 13,762,886</u></u>	<u><u>\$ 10,839,750</u></u>	<u><u>\$ 9,746,306</u></u>
Employer's covered payroll	\$ 1,636,686	\$ 1,620,419	\$ 1,581,211
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	44.8%	36.4%	16.5%
Plan fiduciary net position as a percentage of the total pension liability	36.4%	41.5%	43.0%

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

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
FOR THE YEAR ENDED JUNE 30, 2017†
(UNAUDITED)**

	FY17	FY16	FY15	FY14
Statutorily-required contribution	\$ 48,518	\$ 33,755	\$ 21,421	\$ 17,107
Contributions in relation to the statutorily-required contribution	48,518	33,755	21,421	17,107
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 1,571,069	\$ 1,636,686	\$ 1,620,419	\$ 1,581,211
Contributions as a percentage of covered payroll	3.1%	2.1%	1.3%	1.1%

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

Notes to This Required Supplementary Information

Changes of assumptions

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

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

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

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS
SCHEDULE OF FUNDING PROGRESS
(UNAUDITED)
June 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage Of Covered Payroll [(b)-(a)]/(c)
7/1/2015	\$ -	\$ 182,452	\$ 182,452	0%	\$ 644,337	28.32%
7/1/2012	-	170,072	170,072	0%	540,104	31.49%
7/1/2009	-	59,133	59,133	0%	N/A	0%

The actuarial valuation of the Plan was performed as of July 1, 2015. This valuation was completed based upon the use of the unit credit cost method with a 30-year amortization of the unfunded actuarial accrued liability. The results were also based on a discount rate of 5.00% and an initial healthcare cost trend rate of 6.50% with a 5.00% increase for 2018-2019 and later years. Both rates include a 2.00% inflation assumption

SUPPLEMENTAL INFORMATION

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2017

	RISE and General State Aid	Local	Spelling Bee	Squeeze and Read	Totals
Assets					
Cash and cash equivalents	\$ 2,008,174	\$ 84,649	\$ -	\$ 3,594	\$ 2,096,417
Due from other funds	503,831	-	-	-	503,831
Total Assets	<u>2,512,005</u>	<u>84,649</u>	<u>-</u>	<u>3,594</u>	<u>2,600,248</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 2,512,005</u>	<u>\$ 84,649</u>	<u>\$ -</u>	<u>\$ 3,594</u>	<u>\$ 2,600,248</u>
Liabilities					
Accrued payroll and employee benefits	\$ 106,392	\$ -	\$ -	\$ -	\$ 106,392
Total liabilities	<u>106,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,392</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance					
Assigned	2,405,613	-	-	-	2,405,613
Unassigned	-	84,649	-	3,594	88,243
Total fund balance	<u>2,405,613</u>	<u>84,649</u>	<u>-</u>	<u>3,594</u>	<u>2,493,856</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,512,005</u>	<u>\$ 84,649</u>	<u>\$ -</u>	<u>\$ 3,594</u>	<u>\$ 2,600,248</u>

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
For the Year Ended June 30, 2017**

	RISE and General State Aid	Local	Spelling Bee	Squeeze and Read	Totals
Revenues					
Local sources	\$ 1,347,674	\$ 108,403	\$ 10,700	\$ -	\$ 1,466,777
State sources	975,552	-	-	-	975,552
On-behalf payments	-	17,596	-	-	17,596
Total revenues	<u>2,323,226</u>	<u>125,999</u>	<u>10,700</u>	<u>-</u>	<u>2,459,925</u>
Expenditures					
Salaries	1,420,116	305,773	-	-	1,725,889
Employee benefits	196,396	84,218	-	-	280,614
Pension expense	59,840	22,325	-	-	82,165
Purchased services	272,867	129,967	7,330	-	410,164
Supplies and materials	66,046	33,374	3,370	-	102,790
Payments to other governments	-	37,750	-	-	37,750
Other objects	-	7,599	-	-	7,599
Capital outlay	1,502	21,484	-	-	22,986
On-behalf payments	-	17,596	-	-	17,596
Total expenditures	<u>2,016,767</u>	<u>660,086</u>	<u>10,700</u>	<u>-</u>	<u>2,687,553</u>
Excess/(Deficiency) of revenues over/(under) expenditures	<u>306,459</u>	<u>(534,087)</u>	<u>-</u>	<u>-</u>	<u>(227,628)</u>
Other financing sources/(uses)					
Transfers in	-	527,947	-	-	527,947
Total other financing sources/(uses)	<u>-</u>	<u>527,947</u>	<u>-</u>	<u>-</u>	<u>527,947</u>
Net change in fund balance	<u>306,459</u>	<u>(6,140)</u>	<u>-</u>	<u>-</u>	<u>300,319</u>
Fund balance, beginning of year	<u>2,099,154</u>	<u>90,789</u>	<u>-</u>	<u>3,594</u>	<u>2,193,537</u>
Fund balance, end of year	<u>\$ 2,405,613</u>	<u>\$ 84,649</u>	<u>\$ -</u>	<u>\$ 3,594</u>	<u>\$ 2,493,856</u>

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2017**

	ROE/ISC Ops Health and Life Safety Program	Learning Technology Center	McKinney-Vento Education for Homeless Children and Youth	New Teacher Induction and Mentoring	Regional Safe Schools
Assets					
Cash and cash equivalents	\$ 20,321	\$ -	\$ -	\$ 96,977	\$ -
Due from other governments					
Local	-	86,600	-	-	-
State	-	-	-	-	286,597
Total assets	20,321	86,600	-	96,977	286,597
Deferred outflow of resources	-	-	-	-	-
Total assets and deferred outflows of resources	\$ 20,321	\$ 86,600	\$ -	\$ 96,977	\$ 286,597
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 32,220	\$ -
Due to other funds	-	36,600	-	-	286,507
Due to other governments					
State	-	-	-	-	90
Unearned revenue	-	-	-	64,757	-
Total liabilities	-	36,600	-	96,977	286,597
Deferred inflows of resources					
Unavailable revenue	-	-	-	-	190,303
Fund balance/(deficit)					
Restricted	20,321	50,000	-	-	-
Unassigned	-	-	-	-	(190,303)
Total fund balance/(deficit)	20,321	50,000	-	-	(190,303)
Total liabilities, deferred inflows of resources, and fund balances	\$ 20,321	\$ 86,600	\$ -	\$ 96,977	\$ 286,597

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2017**

	ROE/ISC Operations	South Cook Mathematics Initiative	Title I - School Improvement and Accountability	Title II - Teacher Quality - Leadership Grant	Totals
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 117,298
Due from other governments					
Local	-	2,122	-	-	88,722
State	-	-	170,647	18,200	475,444
Total assets	<u>-</u>	<u>2,122</u>	<u>170,647</u>	<u>18,200</u>	<u>681,464</u>
Deferred outflow of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ -</u>	<u>\$ 2,122</u>	<u>\$ 170,647</u>	<u>\$ 18,200</u>	<u>\$ 681,464</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 32,220
Due to other funds	-	2,122	170,647	18,200	514,076
Due to other governments					
State	-	-	-	-	90
Unearned revenue	-	-	-	-	64,757
Total liabilities	<u>-</u>	<u>2,122</u>	<u>170,647</u>	<u>18,200</u>	<u>611,143</u>
Deferred inflows of resources					
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,303</u>
Fund balance/(deficit)					
Restricted	-	-	-	-	70,321
Unassigned	-	-	-	-	(190,303)
Total fund balance/(deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(119,982)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 2,122</u>	<u>\$ 170,647</u>	<u>\$ 18,200</u>	<u>\$ 681,464</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2017

	ROE/ISC Ops Health and Life Safety Program	Learning Technology Center	McKinney-Vento Education for Homeless Children and Youth	New Teacher Induction and Mentoring	Regional Safe Schools
Revenues					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	114,186	50,000	-	64,423	192,498
Federal sources	-	-	129,100	-	-
Total revenues	<u>114,186</u>	<u>50,000</u>	<u>129,100</u>	<u>64,423</u>	<u>192,498</u>
Expenditures					
Salaries	41,400	-	96,423	14,094	303,144
Employee benefits	600	-	3,776	3,429	64,199
Pension expense	-	-	1,742	480	11,486
Purchased services	76,157	-	18,250	40,372	-
Supplies and materials	30	-	8,909	6,048	3,972
Total expenditures	<u>118,187</u>	<u>-</u>	<u>129,100</u>	<u>64,423</u>	<u>382,801</u>
Net change in fund balance	(4,001)	50,000	-	-	(190,303)
Fund balance, beginning of year	<u>24,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 20,321</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (190,303)</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2017

	ROE/ISC Operations	South Cook Mathematics Initiative	Title I - School Improvement and Accountability	Title II - Teacher Quality - Leadership Grant	Totals
Revenues					
Local sources	\$ -	\$ 50,889	\$ -	\$ -	\$ 50,889
State sources	327,581	-	-	-	748,688
Federal sources	-	-	713,108	53,478	895,686
Total revenues	<u>327,581</u>	<u>50,889</u>	<u>713,108</u>	<u>53,478</u>	<u>1,695,263</u>
Expenditures					
Salaries	230,414	10,671	289,367	-	985,513
Employee benefits	44,507	1,104	49,640	-	167,255
Pension expense	22,429	374	21,230	-	57,741
Purchased services	14,338	35,459	333,910	53,478	571,964
Supplies and materials	15,893	3,281	1,206	-	39,339
Total expenditures	<u>327,581</u>	<u>50,889</u>	<u>695,353</u>	<u>53,478</u>	<u>1,821,812</u>
Net change in fund balance	-	-	17,755	-	(126,549)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>(17,755)</u>	<u>-</u>	<u>6,567</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (119,982)</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
BUDGETARY COMPARISON SCHEDULE
(For the Period of September 22, 2016 to June 30, 2017)
EDUCATION FUND ACCOUNTS
ROE/ISC OPS HEALTH AND LIFE SAFETY PROGRAM (17-3730-01)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 114,186	\$ 114,186	\$ 114,186
Total revenues	<u>114,186</u>	<u>114,186</u>	<u>114,186</u>
Expenditures			
Salaries	48,000	48,000	41,400
Employee benefits	696	696	600
Purchased services	64,990	64,990	72,156
Supplies and materials	500	500	30
Total expenditures	<u>114,186</u>	<u>114,186</u>	<u>114,186</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
(For the Period of July 1, 2016 to June 30, 2017)
EDUCATION FUND ACCOUNTS
MCKINNEY-VENTO EDUCATION FOR HOMELESS CHILDREN AND YOUTH
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 129,100	\$ 129,100	\$ 129,100
Total revenues	<u>129,100</u>	<u>129,100</u>	<u>129,100</u>
Expenditures			
Salaries	95,790	96,423	96,423
Employee benefits, including pension expense	6,509	4,347	5,518
Purchased services	21,492	23,691	18,250
Supplies and materials	5,309	4,639	8,909
Total expenditures	<u>129,100</u>	<u>129,100</u>	<u>129,100</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
(For the Period of November 15, 2016 to August 31, 2017)
EDUCATION FUND ACCOUNTS
NEW TEACHER INDUCTION AND MENTORING
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 129,180	\$ 129,180	\$ 64,423
Total revenues	<u>129,180</u>	<u>129,180</u>	<u>64,423</u>
Expenditures			
Salaries	12,844	12,844	14,094
Employee benefits, including pension expense	5,157	5,157	3,909
Purchased services	93,704	93,704	40,372
Supplies and materials	17,475	17,475	6,048
Total expenditures	<u>129,180</u>	<u>129,180</u>	<u>64,423</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
(For the Period of July 1, 2016 to June 30, 2017)
EDUCATION FUND ACCOUNTS
REGIONAL SAFE SCHOOLS
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 382,891	\$ 382,891	\$ 192,498
Total revenues	<u>382,891</u>	<u>382,891</u>	<u>192,498</u>
Expenditures			
Salaries	302,470	302,470	303,144
Employee benefits, including pension expense	76,959	76,959	75,685
Supplies and materials	3,462	3,462	3,972
Total expenditures	<u>382,891</u>	<u>382,891</u>	<u>382,801</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(190,303)
Fund balance, beginning of year			<u>-</u>
Fund balance, end of year			<u>\$ (190,303)</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2016 to June 30, 2017)
EDUCATION FUND ACCOUNTS
ROE/ISC OPERATIONS (17-3730-00)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 327,581	\$ 327,581	\$ 327,581
Total revenues	<u>327,581</u>	<u>327,581</u>	<u>327,581</u>
Expenditures			
Salaries	221,466	221,466	230,414
Employee benefits, including pension expense	68,766	68,766	66,936
Purchased services	20,000	20,000	14,338
Supplies and materials	17,349	17,349	15,893
Total expenditures	<u>327,581</u>	<u>327,581</u>	<u>327,581</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
(For the Period of July 1, 2015 to June 30, 2016)
EDUCATION FUND ACCOUNTS
TITLE I - SCHOOL IMPROVEMENT AND ACCOUNTABILITY
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 865,249	\$ 865,249	\$ 17,755
Total revenues	<u>865,249</u>	<u>865,249</u>	<u>17,755</u>
Expenditures			
Salaries	454,191	454,191	-
Employee benefits	142,939	142,939	-
Purchased services	263,119	263,119	-
Supplies and materials	5,000	5,000	-
Total expenditures	<u>865,249</u>	<u>865,249</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	17,755
Fund balance, beginning of year			<u>(17,755)</u>
Fund balance, end of year			<u>\$ -</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2016 to June 30, 2017)
EDUCATION FUND ACCOUNTS
TITLE I - SCHOOL IMPROVEMENT AND ACCOUNTABILITY
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 812,473	\$ 812,473	\$ 695,353
Total revenues	<u>812,473</u>	<u>812,473</u>	<u>695,353</u>
Expenditures			
Salaries	464,733	464,733	289,367
Employee benefits, including pension expense	83,335	83,335	70,870
Purchased services	259,405	259,405	333,910
Supplies and materials	5,000	5,000	1,206
Total expenditures	<u>812,473</u>	<u>812,473</u>	<u>695,353</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
(For the Period of November 17, 2016 to June 30, 2017)
EDUCATION FUND ACCOUNTS
TITLE II - TEACHER QUALITY - LEADERSHIP GRANT
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 53,541	\$ 53,541	\$ 53,478
Total revenues	<u>53,541</u>	<u>53,541</u>	<u>53,478</u>
Expenditures			
Purchased services	53,541	53,541	53,478
Total expenditures	<u>53,541</u>	<u>53,541</u>	<u>53,478</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, 2017**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title		Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education					
Passed through Illinois State Board of Education					
Title I, Part A - Grants to Local Educational Agencies					
System of Support Title I - School Improvement & Accountability	M	84.010A	17-4331-SS	\$ -	\$ 695,353
Improving Teacher Quality State Grants					
Title II - Teacher Quality - Leadership Grant		84.367A	17-4935-02	-	53,478
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	17-4920-00	-	129,100
Total Expenditures of Federal Awards				<u>\$ -</u>	<u>\$ 877,931</u>

(M) Program was audited as a major program.

SOUTH COOK INTERMEDIATE SERVICE CENTER #4
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Note 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of South Cook Intermediate Service Center #4 under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of South Cook Intermediate Service Center #4, it is not intended to and does not present the financial position, changes in net assets, or cash flows of South Cook Intermediate Service Center #4.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. South Cook Intermediate Service Center #4 has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.