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**STATE OF ILLINOIS  
SOUTH COOK  
INTERMEDIATE SERVICE CENTER #4  
FINANCIAL AUDIT  
For the Year Ended June 30, 2019**

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

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**

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**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**JUNE 30, 2019**

**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  
JUNE 30, 2019**

**FINANCIAL REPORT SUMMARY**

The financial 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 do not contain scope limitations, disclaimers, or other significant nonstandard language.

**SUMMARY OF AUDIT FINDINGS**

| <b><u>Number of</u></b>                              | <b><u>This Audit</u></b> | <b><u>Prior Audit</u></b> |
|--|--------------------------|---------------------------|
| Audit findings                                       | 0                        | 2                         |
| Repeated audit findings                              | 0                        | 1                         |
| Prior recommendations implemented<br>or not repeated | 2                        | 4                         |

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

**SUMMARY OF FINDINGS AND RESPONSES**

| <b><u>Item No.</u></b>   | <b><u>Page</u></b> | <b><u>Description</u></b>  | <b><u>Finding Type</u></b> |
|--|--------------------|--|----------------------------|
| <i>Findings (Government Auditing Standards)</i>                          |                    |  |                            |
| None   |                    |  |                            |
| <i>Prior Audit Findings not Repeated (Government Auditing Standards)</i> |                    |  |                            |
| 2018-001   | 10                 | Internal Control Deficiencies  | Significant Deficiency     |
| 2018-002   | 10                 | Departure from U.S. Generally Accepted<br>Accounting Principles (GAAP) | Material Weakness          |

*Prior Audit Findings not Repeated (Federal Compliance)*

None

**EXIT CONFERENCE**

An informal exit conference was held on November 7, 2019 with the management of the South Cook Intermediate Service Center #4. Attending were Kathleen Doyle, Assistant Executive Director, Shelia Ivy, Bookkeeper, and Kimberly Walker, CPA, Partner, Kemper CPA Group LLP. The ISC did not request a formal exit conference at this time.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**JUNE 30, 2019**

**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, 2019, 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, 2019, 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 required supplementary information listed in the table of contents 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 supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates 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 supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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  
March 12, 2020

**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, 2019, and the related notes to the financial statements, which collectively comprise South Cook Intermediate Service Center #4's basic financial statements, and have issued our report thereon dated March 12, 2020.

**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.

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. 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.

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

## **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*.

## **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

March 12, 2020

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SECTION I—SUMMARY OF AUDITORS' RESULTS**  
**For the Year Ended June 30, 2019**

**Financial Statements in Accordance with GAAP**

|   |                   |
|---|-------------------|
| Type of auditors' report issued:                      | <i>Unmodified</i> |
| Internal control over financial reporting:            |                   |
| Material weaknesses identified?                       | No                |
| Significant deficiency identified?                    | None Noted        |
| Noncompliance material to financial statements noted? | No                |

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS NOT REPEATED**  
**For the Year Ended June 30, 2019**

2018-001 Internal Control Deficiencies

Not Repeated

South Cook Intermediate Service Center #4 implemented new procedures during the fiscal year ended June 30, 2019.

2018-002 Departure from U.S. Generally Accepted Accounting Principles (GAAP)

Not Repeated

South Cook Intermediate Service Center #4 fully implemented the reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)* during the fiscal year ended June 30, 2019.

## **BASIC FINANCIAL STATEMENTS**

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**STATEMENT OF NET POSITION**  
**June 30, 2019**

|                                       | Primary Government         |                             |                     |
|---------------------------------------|----------------------------|-----------------------------|---------------------|
|                                       | Governmental<br>Activities | Business-Type<br>Activities | Total               |
| <b>ASSETS</b>                         |                            |                             |                     |
| <b>CURRENT ASSETS</b>                 |                            |                             |                     |
| Cash and cash equivalents             | \$ 4,478,836               | \$ 206,352                  | \$ 4,685,188        |
| Accounts receivable                   | -                          | 92,444                      | 92,444              |
| Due from other governments:           |                            |                             |                     |
| Local                                 | 43,517                     | -                           | 43,517              |
| State                                 | 31,765                     | -                           | 31,765              |
| Federal                               | 5,699                      | -                           | 5,699               |
| Total current assets                  | <u>4,559,817</u>           | <u>298,796</u>              | <u>4,858,613</u>    |
| <b>NONCURRENT ASSETS:</b>             |                            |                             |                     |
| Capital assets, net of depreciation   | <u>2,769,771</u>           | -                           | <u>2,769,771</u>    |
| Total noncurrent assets               | <u>2,769,771</u>           | <u>-</u>                    | <u>2,769,771</u>    |
| <b>TOTAL ASSETS</b>                   | <u>7,329,588</u>           | <u>298,796</u>              | <u>7,628,384</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                            |                             |                     |
| Deferred outflows related to OPEB     | 110,962                    | -                           | 110,962             |
| Deferred outflows related to pensions | 590,752                    | -                           | 590,752             |
| Total Deferred Outflows               | <u>701,714</u>             | <u>-</u>                    | <u>701,714</u>      |
| <b>LIABILITIES</b>                    |                            |                             |                     |
| <b>CURRENT LIABILITIES</b>            |                            |                             |                     |
| Accounts payable                      | 56,152                     | 9,959                       | 66,111              |
| Accrued payroll and employee benefits | 110,034                    | -                           | 110,034             |
| Total current liabilities             | <u>166,186</u>             | <u>9,959</u>                | <u>176,145</u>      |
| <b>NONCURRENT LIABILITIES</b>         |                            |                             |                     |
| OPEB liabilities                      | 1,933,208                  | -                           | 1,933,208           |
| Net pension liability                 | 592,288                    | -                           | 592,288             |
| Total noncurrent liabilities          | <u>2,525,496</u>           | <u>-</u>                    | <u>2,525,496</u>    |
| <b>TOTAL LIABILITIES</b>              | <u>2,691,682</u>           | <u>9,959</u>                | <u>2,701,641</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                            |                             |                     |
| Deferred inflows related to OPEB      | 541,237                    | -                           | 541,237             |
| Deferred inflows related to pensions  | 632,437                    | -                           | 632,437             |
| Total Deferred Inflows                | <u>1,173,674</u>           | <u>-</u>                    | <u>1,173,674</u>    |
| <b>NET POSITION</b>                   |                            |                             |                     |
| Investment in capital assets          | 2,769,771                  | -                           | 2,769,771           |
| Restricted-other                      | 951,673                    | -                           | 951,673             |
| Unrestricted                          | 444,502                    | 288,837                     | 733,339             |
| <b>TOTAL NET POSITION</b>             | <u>\$ 4,165,946</u>        | <u>\$ 288,837</u>           | <u>\$ 4,454,783</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, 2019**

| FUNCTIONS/PROGRAMS                               | Program Revenues    |                         |                                     | Net (Expense) Revenue<br>and Changes in Net Position |                             | Total               |
|--|---------------------|-------------------------|-------------------------------------|--|-----------------------------|---------------------|
|  | Expenses            | Charges for<br>Services | Operating Grants<br>& Contributions | Primary Government                                   |                             |                     |
|  |                     |                         |                                     | Governmental<br>Activities                           | Business-Type<br>Activities |                     |
| <b>PRIMARY GOVERNMENT</b>                        |                     |                         |                                     |  |                             |                     |
| Governmental activities:                         |                     |                         |                                     |  |                             |                     |
| Instructional services:                          |                     |                         |                                     |  |                             |                     |
| Salaries   | \$ 2,198,946        | \$ 869,432              | \$ 567,184                          | \$ (762,330)   | \$ -                        | \$ (762,330)        |
| Employee benefits                                | 416,454             | 154,783                 | 135,909                             | (125,762)  | -                           | (125,762)           |
| Purchased services                               | 610,676             | 217,613                 | 166,243                             | (226,820)  | -                           | (226,820)           |
| Supplies and materials                           | 255,998             | 139,683                 | 55,906                              | (60,409)   | -                           | (60,409)            |
| Other objects                                    | 9,913               | 4,830                   | -                                   | (5,083)  | -                           | (5,083)             |
| Depreciation                                     | 152,018             | -                       | -                                   | (152,018)  | -                           | (152,018)           |
| Pension expense (benefit)                        | (209,726)           | 35,504                  | 21,200                              | 266,430  | -                           | 266,430             |
| OPEB expense (benefit)                           | (113,447)           | -                       | -                                   | 113,447  | -                           | 113,447             |
| Intergovernmental                                |                     |                         |                                     |  |                             |                     |
| Payments to other governments                    | 58,411              | -                       | -                                   | (58,411)   | -                           | (58,411)            |
| Administrative:                                  |                     |                         |                                     |  |                             |                     |
| On-behalf payments                               | 1,413,579           | -                       | -                                   | (1,413,579)  | -                           | (1,413,579)         |
| <b>Total Governmental Activities</b>             | <b>4,792,822</b>    | <b>1,421,845</b>        | <b>946,442</b>                      | <b>(2,424,535)</b>                                   | <b>-</b>                    | <b>(2,424,535)</b>  |
| Business-type activities:                        |                     |                         |                                     |  |                             |                     |
| Charges for services                             | 177,270             | 454,068                 | -                                   | -  | 276,798                     | 276,798             |
| <b>Total business-type activities</b>            | <b>177,270</b>      | <b>454,068</b>          | <b>-</b>                            | <b>-</b>   | <b>276,798</b>              | <b>276,798</b>      |
| <b>Total primary government</b>                  | <b>\$ 4,970,092</b> | <b>\$ 1,875,913</b>     | <b>\$ 946,442</b>                   | <b>\$ (2,424,535)</b>                                | <b>\$ 276,798</b>           | <b>(2,147,737)</b>  |
| General revenues:                                |                     |                         |                                     |  |                             |                     |
| Local sources                                    |                     |                         |                                     | 87,394   | -                           | 87,394              |
| State sources                                    |                     |                         |                                     | 975,552  | -                           | 975,552             |
| On-behalf payments                               |                     |                         |                                     | 1,413,579  | -                           | 1,413,579           |
| Interest   |                     |                         |                                     | 14,522   | 73,491                      | 88,013              |
| Transfers  |                     |                         |                                     | 878,304  | (878,304)                   | -                   |
| <b>Total general revenues</b>                    |                     |                         |                                     | <b>3,369,351</b>                                     | <b>(804,813)</b>            | <b>2,564,538</b>    |
| Change in net position                           |                     |                         |                                     | 944,816  | (528,015)                   | 416,801             |
| Net position - beginning, as previously reported |                     |                         |                                     | 3,319,777  | 816,852                     | 4,136,629           |
| Prior period adjustment (see Note 1)             |                     |                         |                                     | (98,647)   | -                           | (98,647)            |
| Net position - beginning, as restated            |                     |                         |                                     | 3,221,130  | 816,852                     | 4,037,982           |
| Net position - ending                            |                     |                         |                                     | <b>\$ 4,165,946</b>                                  | <b>\$ 288,837</b>           | <b>\$ 4,454,783</b> |

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, 2019**

|   | General<br>Fund     | Education<br>Fund | Institute<br>Fund | Eliminations       | Total<br>Governmental<br>Funds |
|---|---------------------|-------------------|-------------------|--------------------|--------------------------------|
| <b>ASSETS</b>   |                     |                   |                   |                    |                                |
| Cash and cash equivalents                                   | \$ 3,524,730        | \$ 1,681          | \$ 952,425        | \$ -               | \$ 4,478,836                   |
| Due from other funds  | 45,213              | -                 | -                 | (45,213)           | -                              |
| Due from other governments:                                 |                     |                   |                   |                    |                                |
| Local   | 35,768              | 7,749             | -                 | -                  | 43,517                         |
| State   | -                   | 31,765            | -                 | -                  | 31,765                         |
| Federal   | -                   | 5,699             | -                 | -                  | 5,699                          |
| Total assets  | <u>3,605,711</u>    | <u>46,894</u>     | <u>952,425</u>    | <u>(45,213)</u>    | <u>4,559,817</u>               |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                       |                     |                   |                   |                    |                                |
|   | -                   | -                 | -                 | -                  | -                              |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>      |                     |                   |                   |                    |                                |
|   | <u>\$ 3,605,711</u> | <u>\$ 46,894</u>  | <u>\$ 952,425</u> | <u>\$ (45,213)</u> | <u>\$ 4,559,817</u>            |
| <b>LIABILITIES</b>  |                     |                   |                   |                    |                                |
| Accounts payable  | \$ 54,471           | \$ 1,681          | \$ -              | \$ -               | \$ 56,152                      |
| Accrued payroll and employee benefits                       | 109,282             | -                 | 752               | -                  | 110,034                        |
| Due to other funds  | -                   | 45,213            | -                 | (45,213)           | -                              |
| Total liabilities   | <u>163,753</u>      | <u>46,894</u>     | <u>752</u>        | <u>(45,213)</u>    | <u>166,186</u>                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                        |                     |                   |                   |                    |                                |
| Unavailable revenue   | -                   | 31,765            | -                 | -                  | 31,765                         |
| <b>FUND BALANCES</b>  |                     |                   |                   |                    |                                |
| Restricted  | -                   | -                 | 951,673           | -                  | 951,673                        |
| Assigned  | 3,302,737           | -                 | -                 | -                  | 3,302,737                      |
| Unassigned  | 139,221             | (31,765)          | -                 | -                  | 107,456                        |
| Total fund balance  | <u>3,441,958</u>    | <u>(31,765)</u>   | <u>951,673</u>    | <u>-</u>           | <u>4,361,866</u>               |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b> |                     |                   |                   |                    |                                |
|   | <u>\$ 3,605,711</u> | <u>\$ 46,894</u>  | <u>\$ 952,425</u> | <u>\$ (45,213)</u> | <u>\$ 4,559,817</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, 2019**

Total fund balances - governmental funds \$ 4,361,866

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. 2,769,771

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 31,765  
        State sources

Pension and OPEB 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 | \$ 701,714         |           |
| Deferred inflows of resources  | <u>(1,173,674)</u> | (471,960) |

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 |  | (1,933,208)      |
| Net pension liability                    |  | <u>(592,288)</u> |

Net position of governmental activities \$ 4,165,946

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, 2019**

|   | General<br>Fund     | Education<br>Fund  | Institute<br>Fund | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------|-------------------|--------------------------------|
| <b>REVENUES</b>   |                     |                    |                   |                                |
| Local sources   | \$ 1,288,921        | \$ 34,146          | \$ -              | \$ 1,323,067                   |
| State sources   | 975,552             | 677,791            | 220,318           | 1,873,661                      |
| Federal sources   | -                   | 207,537            | -                 | 207,537                        |
| Interest  | -                   | -                  | 14,522            | 14,522                         |
| On-behalf payments  | 294,167             | -                  | -                 | 294,167                        |
| Total revenues  | <u>2,558,640</u>    | <u>919,474</u>     | <u>234,840</u>    | <u>3,712,954</u>               |
| <b>EXPENDITURES</b>   |                     |                    |                   |                                |
| Instructional services  |                     |                    |                   |                                |
| Salaries  | 1,547,530           | 567,184            | 84,232            | 2,198,946                      |
| Employee benefits   | 260,055             | 135,907            | 20,492            | 416,454                        |
| Pension expense   | 52,472              | 21,205             | 7,260             | 80,937                         |
| Purchased services  | 443,299             | 166,236            | 1,141             | 610,676                        |
| Supplies and materials  | 152,229             | 55,910             | 47,859            | 255,998                        |
| Other objects   | 9,913               | -                  | -                 | 9,913                          |
| On-behalf payments  | 294,167             | -                  | -                 | 294,167                        |
| Intergovernmental   |                     |                    |                   |                                |
| Payments to other governments                                 | 58,411              | -                  | -                 | 58,411                         |
| Capital outlay  | -                   | -                  | 41,259            | 41,259                         |
| Total expenditures  | <u>2,818,076</u>    | <u>946,442</u>     | <u>202,243</u>    | <u>3,966,761</u>               |
| Excess/(deficiency) of revenues over/<br>(under) expenditures | <u>(259,436)</u>    | <u>(26,968)</u>    | <u>32,597</u>     | <u>(253,807)</u>               |
| <b>OTHER FINANCING SOURCES/(USES)</b>                         |                     |                    |                   |                                |
| Transfers in  | 878,304             | -                  | -                 | 878,304                        |
| Transfers out   | -                   | -                  | -                 | -                              |
| Total other financing sources (uses)                          | <u>878,304</u>      | <u>-</u>           | <u>-</u>          | <u>878,304</u>                 |
| Net change in fund balances                                   | 618,868             | (26,968)           | 32,597            | 624,497                        |
| FUND BALANCES - BEGINNING OF YEAR                             | <u>2,823,090</u>    | <u>(4,797)</u>     | <u>919,076</u>    | <u>3,737,369</u>               |
| FUND BALANCES - END OF YEAR                                   | <u>\$ 3,441,958</u> | <u>\$ (31,765)</u> | <u>\$ 951,673</u> | <u>\$ 4,361,866</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, 2019**

Net change in fund balances \$ 624,497

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       | \$ 41,259        |           |
| Depreciation expense | <u>(152,018)</u> | (110,759) |

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   |  |         |
| Federal sources                  |  | (4,797) |
| Current year unavailable revenue |  |         |
| State sources                    |  | 31,765  |

Certain expenses in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the government funds.

|                           |  |         |
|---------------------------|--|---------|
| Pension (expense) benefit |  | 290,663 |
| OPEB (expense) benefit    |  | 113,447 |

|   |  |                   |
|---|--|-------------------|
| Change in net position of governmental activities |  | <u>\$ 944,816</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, 2019**

|                           | Business-type Activities<br>Enterprise Funds |                              |            |
|---------------------------|--|------------------------------|------------|
|                           | Workshop<br>Fund                             | Nonmajor<br>Enterprise Funds |            |
|                           |  | Fingerprinting<br>Fund       | Total      |
| <b>Assets</b>             |  |                              |            |
| Cash and cash equivalents | \$ 145,703                                   | \$ 60,649                    | \$ 206,352 |
| Accounts receivable       | 90,639                                       | 1,805                        | 92,444     |
| Total Assets              | 236,342                                      | 62,454                       | 298,796    |
| <b>Liabilities</b>        |  |                              |            |
| Accounts payable          | 9,959  | -                            | 9,959      |
| Total Liabilities         | 9,959  | -                            | 9,959      |
| <b>Net Position</b>       |  |                              |            |
| Unrestricted              | 226,383                                      | 62,454                       | 288,837    |
| Total Net Position        | \$ 226,383                                   | \$ 62,454                    | \$ 288,837 |

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, 2019**

|  | Business-type Activities |  |                   |
|--|--------------------------|--|-------------------|
|  | Enterprise Funds         |  |                   |
|  | Workshop<br>Fund         | Nonmajor<br>Enterprise Funds<br>Fingerprinting<br>Fund | Total             |
| Operating revenues                             |                          |  |                   |
| Charges for services                           | \$ 424,918               | \$ 29,150  | \$ 454,068        |
| Total operating revenues                       | <u>424,918</u>           | <u>29,150</u>  | <u>454,068</u>    |
| Operating expenses                             |                          |  |                   |
| Salaries                                       | -                        | 7,126  | 7,126             |
| Benefits                                       | -                        | 632  | 632               |
| Pension expense                                | -                        | 616  | 616               |
| Purchased services                             | 150,261                  | 16,145   | 166,406           |
| Supplies                                       | 2,490                    | -  | 2,490             |
| Total operating expenses                       | <u>152,751</u>           | <u>24,519</u>  | <u>177,270</u>    |
| Operating excess of revenues over expenditures | <u>272,167</u>           | <u>4,631</u>   | <u>276,798</u>    |
| Non-operating revenues                         |                          |  |                   |
| Interest                                       | <u>73,491</u>            | <u>-</u>   | <u>73,491</u>     |
| Other financing sources/(uses)                 |                          |  |                   |
| Transfers out                                  | <u>(878,304)</u>         | <u>-</u>   | <u>(878,304)</u>  |
| Total other financing sources /(uses)          | <u>(878,304)</u>         | <u>-</u>   | <u>(878,304)</u>  |
| Change in net position                         | (532,646)                | 4,631  | (528,015)         |
| Net position, beginning of year                | <u>759,029</u>           | <u>57,823</u>  | <u>816,852</u>    |
| Net position, end of year                      | <u>\$ 226,383</u>        | <u>\$ 62,454</u>                                       | <u>\$ 288,837</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, 2019**

|  | Business-type Activities |  |                   |
|--|--------------------------|--|-------------------|
|  | Enterprise Funds         |  |                   |
|  | Workshop                 | Nonmajor<br>Enterprise Funds<br>Fingerprinting<br>Fund | Total             |
| Cash flows from operating activities   |                          |  |                   |
| Receipts from customers  | \$ 372,673               | \$ 28,075  | \$ 400,748        |
| Payments to suppliers and providers of goods and services                                  | (142,792)                | (16,145)   | (158,937)         |
| Payments to employees  | -                        | (8,374)  | (8,374)           |
| Net cash provided by operating activities  | <u>229,881</u>           | <u>3,556</u>   | <u>233,437</u>    |
| Cash flows from investing activities   |                          |  |                   |
| Interest earned on deposits  | 73,491                   | -  | 73,491            |
| Net cash provided by investing activities  | <u>73,491</u>            | <u>-</u>   | <u>73,491</u>     |
| Cash flows from noncapital financing activities:   |                          |  |                   |
| Cash transfer to other funds   | (878,304)                | -  | (878,304)         |
| Net cash provided by (used for)<br>noncapital financing activities                         | <u>(878,304)</u>         | <u>-</u>   | <u>(878,304)</u>  |
| Net increase (decrease) in cash and cash equivalents                                       | (574,932)                | 3,556  | (571,376)         |
| Cash and cash equivalents - Beginning of year  | <u>720,635</u>           | <u>57,093</u>  | <u>777,728</u>    |
| Cash and cash equivalents - End of year  | <u>\$ 145,703</u>        | <u>\$ 60,649</u>                                       | <u>\$ 206,352</u> |
| Reconciliation of operating income to net cash<br>provided by operating activities:        |                          |  |                   |
| Operating income   | \$ 272,167               | \$ 4,631   | \$ 276,798        |
| Adjustments to reconcile operating income to<br>net cash provided by operating activities: |                          |  |                   |
| Increase in Accounts receivable  | (52,245)                 | (1,075)  | (53,320)          |
| Increase in Accounts Payable   | 9,959                    | -  | 9,959             |
| Net cash provided by operating activities  | <u>\$ 229,881</u>        | <u>\$ 3,556</u>  | <u>\$ 233,437</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, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In 2019, the South Cook Intermediate Service Center #4 implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The implementation of GASB No. 83 establishes standards for accounting for asset retirement obligations (AROs). The implementation of GASB Statement No. 88 is to improve the note disclosures for debt, including direct borrowings and direct placements. The implementation of GASB Statement No. 83 and GASB Statement No. 88 had no significant impact on the financial statements of the South Cook Intermediate Service Center #4.

Prior Period Adjustment

In 2019, the South Cook Intermediate Service Center #4 also implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* related to its Other Postemployment Benefits – Health Insurance Plan (a defined benefit plan) and its Illinois Municipal Retirement Fund employees. Due to the changes in the accounting principle described above, beginning net position as of June 30, 2018 has been decreased by \$98,647 for governmental activities from \$3,319,777 to \$3,221,130. The decrease represents a restatement of net position due to the prior year OPEB liability.

A. DATE OF MANAGEMENT’S REVIEW

Management has evaluated subsequent events through March 12, 2020, 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, 2019**

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/Schrump 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, 2019**

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 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, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. GOVERNMENT-WIDE 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, 2019**

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, 2019**

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 South Cook 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.

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:

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:

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.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Concluded)

*Governmental Funds (Concluded)*

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.

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.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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 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.

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 fund presents an unassigned fund balance: Local. 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.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. BUDGET INFORMATION (Concluded)

Budgetary comparison schedules have been provided in supplementary schedules for the following funds: McKinney-Vento Education for Homeless Children and Youth, 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.

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. 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.

P. 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 or OPEB and contributions from the employer after the measurement date but before the end of the employer's reporting period.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

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

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

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

Q. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the South Cook Intermediate Service Center #4's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the South Cook Intermediate Service Center #4's OPEB Plan and additions to/deductions from the South Cook Intermediate Service Center #4's fiduciary net position have been determined on the same basis as they are reported by the South Cook Intermediate Service Center #4's Plan. For this purpose, the South Cook Intermediate Service Center #4's Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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, 2019, the carrying amount of the Intermediate Service Center #4's Government-wide deposits were \$4,685,188, including \$3,793,969 held on deposit with Bloom Township School Treasurer, an imprest account totaling \$10,000, \$200 cash on hand, \$747,732 investment in Illinois Money Market Funds, and separate deposit accounts totaling \$133,287. The bank balances for the imprest account and separate deposit accounts were \$8,960 and \$133,219, 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).

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 2 – DEPOSITS AND INVESTMENTS (Concluded)

A. BANK DEPOSITS (Concluded)

**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, 2019, the Intermediate Service Center #4 had investments with carrying and fair value of \$747,732 invested in the Illinois Funds Money Market Fund.

**CREDIT RISK**

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

**INTEREST RATE RISK**

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

**CONCENTRATION OF CREDIT RISK**

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

NOTE 3 – 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](http://www.imrf.org).

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

**Benefits Provided**

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

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

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

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

**Employees Covered by Benefit Terms**

As of December 31, 2018, the following employees were covered by the benefit terms:

|  | <b>IMRF</b> |
|--|-------------|
| Retirees and Beneficiaries currently receiving benefits          | 16          |
| Inactive Plan Members entitled to but not yet receiving benefits | 50          |
| Active Plan Members  | 23          |
| <b>Total</b>   | <b>89</b>   |

**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 2018 was 9.53%. For the fiscal year ended 2019, ISC #4 contributed \$70,384 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.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

**Net Pension Liability**

ISC #4’s net pension liability was measured as of December 31, 2018. 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, 2018:

- 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 2.50%.
- **Salary Increases** were expected to be 3.39% to 14.25%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.25%.
- **Projected Retirement Age** was from the experience-based table of rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014 to 2016.
- For **non-disabled retirees**, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates 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-2017 (base year 2015). 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-2017 (base year 2015). 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, 2018:

| Asset Class            | Portfolio Target<br>Percentage | Long-Term<br>Expected Real<br>Rate of Return |
|------------------------|--------------------------------|--|
| Equities               | 37%                            | 7.15%  |
| International Equities | 18%                            | 7.25%  |
| Fixed Income           | 28%                            | 3.75%  |
| Real Estate            | 9%                             | 6.25%  |
| Alternatives           | 7%                             |  |
| Private Equity         |                                | 8.50%  |
| Hedge Funds            |                                | 5.50%  |
| Commodities            |                                | 3.20%  |
| Cash Equivalents       | 1%                             | 2.50%  |
| <b>Total</b>           | 100%                           |  |

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)**

**Single Discount Rate**

A Single Discount Rate of 7.25% 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 7.25%, the municipal bond rate is 3.71%, and the resulting single discount rate is 7.25%.

**Changes in the Net Pension Liability**

|   | <b>Total<br/>Pension<br/>Liability<br/>(A)</b> | <b>Plan Fiduciary<br/>Net Position<br/>(B)</b> | <b>Net Pension<br/>Liability (Asset)<br/>(A) - (B)</b> |
|---|--|--|--|
| <b>Balances at December 31, 2017</b>      | \$ 3,054,583                                   | \$ 3,133,347                                   | \$ (78,764)  |
| <b>Changes for the year:</b>              |  |  |  |
| Service Cost                              | 82,393   | -  | 82,393   |
| Interest on the Total Pension Liability   | 228,552  | -  | 228,552  |
| Changes of Benefit Terms                  | -  | -  | -  |
| Differences Between Expected and Actual   |  |  |  |
| Experience of the Total Pension Liability | 112,334  | -  | 112,334  |
| Changes of Assumptions                    | 105,736  | -  | 105,736  |
| Contributions - Employer                  | -  | 77,768   | (77,768)   |
| Contributions - Employees                 | -  | 36,722   | (36,722)   |
| Net Investment Loss                       | -  | (97,948)                                       | 97,948   |
| Benefit Payments, including Refunds       |  |  |  |
| of Employee Contributions                 | (98,932)                                       | (98,932)                                       | -  |
| Other (Net Transfer)                      | -  | (1,920)  | 1,920  |
| Net Changes                               | 430,083  | (84,310)                                       | 514,393  |
| <b>Balances at December 31, 2018</b>      | <b>\$ 3,484,666</b>                            | <b>\$ 3,049,037</b>                            | <b>\$ 435,629</b>                                      |

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Concluded)

**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 7.25%, 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:

|                              | <b>1% Lower<br/>6.25%</b> | <b>Current<br/>Discount<br/>7.25%</b> | <b>1% Higher<br/>8.25%</b> |
|------------------------------|---------------------------|---------------------------------------|----------------------------|
| <b>Net Pension Liability</b> | \$ 916,649                | \$ 435,629                            | \$ 42,154                  |

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

For the year ended June 30, 2019, the South Cook Intermediate Service Center #4 recognized pension expense of \$148,512. At June 30, 2019, the South Cook Intermediate Service Center #4 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <b>Deferred Amounts Related to Pensions</b>                                      | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| <i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>    |   |  |
| Differences between expected and actual experience                               | \$ 108,055                                    | \$ -   |
| Changes of assumptions   | 68,007  | (31,843)                                     |
| Net difference between projected and actual earnings on pension plan investments | 317,198                                       | (130,338)                                    |
| Total Deferred Amounts to be recognized in pension expense in future periods     | 493,260                                       | (162,181)                                    |
| <i>Pension Contributions made Subsequent to the Measurement Date</i>             | 32,808  | -  |
| <b>Total Deferred Amounts Related to Pensions</b>                                | <b>\$ 526,068</b>                             | <b>\$ (162,181)</b>                          |

\$32,808 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, 2020. 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:

| <b>Year<br/>Ending<br/>December 31,</b> | <b>Net Deferred<br/>Outflows (Inflows)<br/>of Resources</b> |
|---|---|
| 2019                                    | \$ 172,612  |
| 2020                                    | 78,381  |
| 2021                                    | 13,014  |
| 2022                                    | 67,072  |
| 2023                                    | -   |
| Thereafter                              | -   |
| <b>Total</b>                            | <b>\$ 331,079</b>   |

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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/fy2018>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 678-3675, option 2.

**Benefits Provided**

TRS provides retirement, disability, and death benefits. Tier 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.

Public Act 100-0023, enacted in 2017, creates an optional Tier III hybrid retirement plan, but it has not yet gone into effect. The earliest possible implementation date is July 1, 2020. Public Act 100-0587, enacted in 2018, requires TRS to offer two temporary benefit buyout programs that expire on June 30, 2021. One program allows retiring Tier I members to receive a partial lump-sum payment in exchange for accepting a lower, delayed annual increase. The other allows inactive vested Tier I and Tier II members to receive a partial lump-sum payment in lieu of a retirement annuity. Both programs will begin in 2019 and will be funded by bonds issued by the State of Illinois.

**Contributions**

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

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2018, was 9.0 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by ISC #4.

**On behalf contributions to TRS.** The State of Illinois makes employer pension contributions on behalf of the South Cook Intermediate Service Center #4. For the year ended June 30, 2019, 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 \$1,007,892 in pension contributions from the State of Illinois.

**2.2 formula contributions.** Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2019, were \$7,396 and are deferred because they were paid after the June 30, 2018 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 Public Act 100-340, the federal and special trust fund contribution rate is the total employer normal cost beginning with the year ended June 30, 2018. Previously, employer contributions for employees paid from federal and special trust funds were at the same rate as the State contribution rate to TRS and were much higher.

TRS has determined that beginning in the fiscal year ended June 30, 2018, the actual contributions to the plan used as a basis of allocation no longer includes contributions paid from special trust or federal funds. In prior years, employer contributions for employees paid from federal and special trust funds were at the same rate as the state contribution rate to TRS. Because of a change to the Illinois Pension Code (40 ILCS 5/16-158(c)), beginning July 1, 2017, employer contributions to the plan paid from special trust or federal funds are to be based upon a rate, expressed as a percentage of salary, equal to the total employer’s normal cost. TRS now categorizes employer contributions from special trust or federal funds as employer specific liabilities under GASB Statement No. 68, paragraph 92.

For the year ended June 30, 2019, the employer pension contribution was 9.85 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2019, salaries totaling \$32,057 were paid from federal and special trust funds that required employer contributions of \$3,158.

**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 granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. Additionally, beginning with the year ended June 30, 2019, employers will make a similar contribution for salary increases over 3 percent if members are not exempted by current collective bargaining agreements or contracts.

A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2019, the South Cook Intermediate Service Center #4 paid \$0 to TRS for employer contributions due on salary increases in excess of 6 percent, \$0 for salary increases in excess of 3 percent, and \$0 for sick leave days granted in excess of the normal annual allotment.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**

At June 30, 2019, 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:

|   |                            |
|---|----------------------------|
| Employers proportionate share of the net pension liability                            | \$ 156,659                 |
| State’s proportionate share of the net pension liability associated with the employer | <u>10,731,785</u>          |
| <b>Total</b>  | <b><u>\$10,888,444</u></b> |

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and rolled forward to June 30, 2018. 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, 2018, relative to the contributions of all participating TRS employers and the State during that period. At June 30, 2018, ISC #4’s proportion was 0.00020392071 percent, which was a decrease of 0.00071640090 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, ISC #4 recognized pension expense of \$1,007,892 and revenue of \$1,007,892 for support provided by the State. For the year ended June 30, 2019, the South Cook Intermediate Service Center #4 recognized a pension benefit of \$358,238. At June 30, 2019, ISC #4 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ 3,148                                      | \$ (34)                                      |
| Net difference between projected and actual earnings<br>on pension plan investments                              | -   | (480)  |
| Change of assumptions  | 6,871   | (4,440)                                      |
| Changes in proportion and differences between employer<br>contributions and proportionate share of contributions | 44,112  | (465,302)                                    |
| Employer contributions subsequent to the measurement date  | <u>10,553</u>                                 | <u>-</u>                                     |
| <b>Total</b>   | <b><u>\$ 64,684</u></b>                       | <b><u>\$ (470,256)</u></b>                   |

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**

\$10,553 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year<br/>Ending<br/>June 30,</b> |           |                  |
|-------------------------------------|-----------|------------------|
| 2020                                | \$        | (133,627)        |
| 2021                                |           | (79,662)         |
| 2022                                |           | (79,996)         |
| 2023                                |           | (83,952)         |
| 2024                                |           | (38,888)         |
| <b>Total</b>                        | <b>\$</b> | <b>(416,125)</b> |

**Actuarial Assumptions**

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                  |   |
|----------------------------------|---|
| <b>Inflation</b>                 | 2.50 percent  |
| <b>Salary Increase</b>           | Varies by the amount of service credit                                    |
| <b>Investment rate of return</b> | 7.00 percent, net of pension plan investment expense, including inflation |

In the June 30, 2018 actuarial valuation, mortality rates were based on the RP-2014 White Collar Table with appropriate adjustments for TRS experience. The rates are based on a fully-generational basis using projection table MP-2017. In the June 30, 2017 actuarial valuation, mortality rates were also based on the RP 2014 White Collar Table with appropriate adjustments for TRS experience. The rates were used on a fully-generational basis using projection table MP-2014.

The long-term (20-year) expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class that were used by the actuary are summarized in the following table:

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Actuarial Assumptions (Concluded)**

| <u>Asset Class</u>               | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------------|--------------------------|---|
| U.S. equities large cap          | 15.0%                    | 6.7%  |
| U.S. equities small/mid cap      | 2.0%                     | 7.9%  |
| International equities developed | 13.6%                    | 7.0%  |
| Emerging market equities         | 3.4%                     | 9.4%  |
| U.S. bonds core                  | 8.0%                     | 2.2%  |
| U.S. bonds high yield            | 4.2%                     | 4.4%  |
| International debt developed     | 2.2%                     | 1.3%  |
| Emerging international debt      | 2.6%                     | 4.5%  |
| Real estate                      | 16%                      | 5.4%  |
| Real return                      | 4%                       | 1.8%  |
| Absolute return                  | 14%                      | 3.9%  |
| Private equity                   | 15%                      | 10.2%   |
| <b>Total</b>                     | <b>100%</b>              |   |

**Discount Rate**

At June 30, 2018, the discount rate used to measure the total pension liability was 7.0 percent, which was the same as the June 30, 2017 rate. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS’s fiduciary net position at June 30, 2018 was projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I’s liability is partially-funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. All projected future payments were covered, so the long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the South Cook Intermediate Service Center #4’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the South Cook Intermediate Service Center #4’s proportionate share of the net pension liability calculated using the discount rate of 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate.

|   | <u>1% Decrease<br/>(6.00%)</u> | <u>Current<br/>Discount Rate<br/>(7.00%)</u> | <u>1% Increase<br/>(8.00%)</u> |
|---|--------------------------------|--|--------------------------------|
| Employer’s proportionate share of the net pension liability | \$ 192,127                     | \$ 156,659                                   | \$ 128,096                     |

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**TRS fiduciary net position**

Detailed information about the TRS’s fiduciary net position as of June 30, 2018 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS

A. TEACHER HEALTH INSURANCE SECURITY (THIS) FUND

**THIS Plan Description**

The South Cook Intermediate Service Center #4 participates in the Teachers' Health Insurance Security (THIS) fund. The THIS fund is a non-appropriated trust fund held outside the State Treasury, with the State Treasurer as custodian. Additions deposited into the Trust are for the sole purpose of providing the health benefits to retirees, as established under the plan, and associated administrative costs. The THIS fund is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers retired employees of participating employers throughout the State of Illinois, excluding the Chicago Public School System. THIS health coverage includes provisions for medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits. Annuitants may participate in the State administered Preferred Provider Organization plan or choose from several managed care options. As a result of the Governor's Executive Order 12-01, the responsibilities in relation to THIS were transferred to the Department of Central Management Services (Department) as of July 1, 2013. The Department administers the plan with the cooperation of the Teachers' Retirement System (TRS).

**Benefits Provided**

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The plan is administered by Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 required all active contributors to TRS who are not employees of the State to make a contribution to the THIS Fund.

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

**On-behalf Contributions to the THIS Fund**

The State of Illinois makes employer retiree health insurance contributions on behalf of the South Cook Intermediate Service Center #4. For the year ended June 30, 2019, State of Illinois contributions recognized by the South Cook Intermediate Service Center #4 were based on the State’s proportionate share of the collective net OPEB liability associated with the South Cook Intermediate Service Center #4, and recognized revenue and expenditures of \$111,520 in OPEB contributions from the State of Illinois.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (Continued)

A. TEACHER HEALTH INSURANCE SECURITY (THIS) FUND (Continued)

**Employer Contributions to the THIS Fund**

The South Cook Intermediate Service Center #4 also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.92 percent during the year ended June 30, 2019, and 0.88 and 0.84 percent during the years ended June 30, 2018 and 2017, respectively. For the year ended June 30, 2019, the South Cook Intermediate Service Center #4 paid \$11,731 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2018 and 2017, the South Cook Intermediate Service Center #4 paid \$12,685 and \$13,197 to the THIS Fund, respectively, which was 100 percent of the required contribution.

**Further Information on the THIS Fund**

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

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

|                             |  |
|-----------------------------|--|
| Inflation                   | 2.75%  |
| Salary increases            | Depends on service and ranges from 9.25% at 1 year of service to 3.25% at 20 or more years of service. Salary increase includes a 3.25% wage inflation assumption  |
| Investment rate of return   | 0%, net of OPEB plan investment expense, including inflation   |
| Healthcare cost trend rates | Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 9.00% for non-Medicare costs and Medicare costs, respectively, and gradually decreases to an ultimate trend of 4.50%. Additional trend rate of 0.36% is added to non-Medicare costs on and after 2022 to account for the Excise Tax. |

Mortality rates for retirement and beneficiary annuitants were based on the RP-2014 White Collar Annuitant Mortality Table, adjusted for TRS experience. For disabled annuitants mortality rates were based on the RP-2014 Disabled Annuitant table. Mortality rates for pre-retirement were based on the RP-2014 White Collar Table. All tables reflect future mortality improvements using Projection Scale MP-2014.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2014.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (Continued)

A. TEACHER HEALTH INSURANCE SECURITY (THIS) FUND (Continued)

**Single Discount Rate**

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

Since the THIS fund is financed on a pay-as-you-go basis, the sponsor has selected a discount rate consistent with the 20-year general obligation bond index described above. The discount rates are 3.56 percent as of June 30, 2017, and 3.62 percent as of June 30, 2018.

**Sensitivity of the Employer's Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate**

The following presents the South Cook Intermediate Service Center #4's proportionate share of the collective net OPEB liability, as well as what the ISC #4's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

|   | <b>1% Decrease<br/>(2.62%)</b> | <b>Current<br/>Discount Rate<br/>(3.62%)</b> | <b>1% Increase<br/>(4.62%)</b> |
|---|--------------------------------|--|--------------------------------|
| Employer's proportionate share of the collective net OPEB liability | \$ 1,923,554                   | \$ 1,599,779                                 | \$ 1,344,190                   |

**Sensitivity of the Employer's Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following table shows the South Cook Intermediate Service Center #4's net OPEB liability as of June 30, 2018, using current trend rates and sensitivity trend rates that are either 1-percentage-point higher or lower. The key trend rates are 8.00% in 2019 decreasing to an ultimate trend rate of 4.86% in 2026, for non-Medicare coverage, and 9.00% in 2019 decreasing to an ultimate trend rate of 4.50% in 2028 for Medicare coverage.

|   | <b>1% Decrease (a)</b> | <b>Healthcare Cost<br/>Trend Rates</b> | <b>1% Increase (b)</b> |
|---|------------------------|--|------------------------|
| Employer's proportionate share of the collective net OPEB liability | \$ 1,297,163           | \$ 1,599,779                           | \$ 2,007,480           |

*(a) One percentage point decrease in healthcare trend rates are 7.00% in 2019 decreasing to an ultimate rate of 3.86% in 2026 for non-Medicare coverage, and 8.00% in 2019 decreasing to an ultimate trend rate of 3.50% in 2028 for Medicare coverage.*

*(b) One percentage point increase in healthcare trend rates are 9.00% in 2019 decreasing to an ultimate trend rate of 5.86% in 2026, for non-Medicare coverage, and 10.00% in 2019 decreasing to an ultimate trend rate of 5.50% in 2028 for Medicare coverage.*

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (Continued)

A. TEACHER HEALTH INSURANCE SECURITY (THIS) FUND (Continued)

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2019, the South Cook Intermediate Service Center #4 reported a liability for its proportionate share of the collective net OPEB liability that reflected a reduction for State OPEB support provided to the South Cook Intermediate Service Center #4.

The amount recognized by the South Cook Intermediate Service Center #4 as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the South Cook Intermediate Service Center #4 were as follows:

|  |    |                            |
|--|----|----------------------------|
| Employer’s proportionate share of the net OPEB liability                           | \$ | 1,599,779                  |
| State’s proportionate share of the net OPEB liability associated with the employer |    | 2,148,153                  |
| <b>Total</b>   |    | <u><u>\$ 3,747,932</u></u> |

The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2017, and was rolled forward to the June 30, 2018 measurement date. The South Cook Intermediate Service Center #4's proportion of the collective net OPEB liability was based on a projection of the South Cook Intermediate Service Center #4's long-term share of contributions to the OPEB plan relative to the projected contributions of the South Cook Intermediate Service Center #4, actuarially determined. At June 30, 2018, the South Cook Intermediate Service Center #4's proportion was 0.006072 percent, which was a decrease of 0.00081 from its proportion measured as of June 30, 2017 (0.006882 percent). The State's support and total are for disclosure purposes only.

For the year ended June 30, 2019, the South Cook Intermediate Service Center #4 recognized OPEB expense of \$111,520 and revenue of \$111,520 for support provided by the State. For the year ended June 30, 2019, the South Cook Intermediate Service Center #4 recognized OPEB income of \$94,787. At June 30, 2019, the South Cook Intermediate Service Center #4 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ -  | \$ (5,740)                                   |
| Change in assumptions   |   | (232,954)                                    |
| Net difference between projected and actual earnings on pension plan investments                              | -   | (49)   |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 56,788  | (49,264)                                     |
| Employer contributions subsequent to the measurement date   | <u>11,731</u>                                 | <u>-</u>                                     |
| <b>Total Deferred Amounts Related to OPEB</b>   | <u><u>\$ 68,519</u></u>                       | <u><u>\$ (288,007)</u></u>                   |

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (Continued)

A. TEACHER HEALTH INSURANCE SECURITY (THIS) FUND (Concluded)

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Concluded)**

\$11,731 reported as deferred outflows of resources related to OPEB resulting from South Cook Intermediate Service Center #4 contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the South Cook Intermediate Service Center #4's OPEB expense as follows:

| <b>Year<br/>Ending<br/>June 30,</b> | <b>Net Deferred<br/>Outflows<br/>of Resources</b> |
|-------------------------------------|---|
| 2020                                | \$ (35,797)                                       |
| 2021                                | (35,797)  |
| 2022                                | (35,797)  |
| 2023                                | (35,797)  |
| 2024                                | (35,785)  |
| Thereafter                          | (52,246)  |
| <b>Total</b>                        | <b>\$ (231,219)</b>                               |

**THIS Fiduciary Net Position**

Detailed information about the THIS Fund fiduciary net position as of June 30, 2018, is available in the separately issued THIS Financial Report.

B. TEACHER RETIREMENT SYSTEM – HEALTH INSURANCE PLAN

**Plan Description and Actuarial Valuation**

In addition to providing the pension benefits described in Note 4, the South Cook Intermediate Service Center #4 provides postemployment health care benefits (OPEB) for retired TRS 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 to be performed at least every two years. As a result of this requirement, South Cook Intermediate Service Center #4 was required to have an actuarial valuation for the year ended June 30, 2019. The results of ISC #4's latest actuarial valuation are described below.

**Eligibility Provisions**

Select employees eligible to retire under TRS are eligible for the postemployment health care benefits.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (Continued)

B. TEACHER RETIREMENT SYSTEM – HEALTH INSURANCE PLAN (Continued)

**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 June 30, 2019, membership consisted of:

|  |    |
|--|----|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | -  |
| Inactive Employees Entitled to but not yet Receiving Benefits    | -  |
| Active Employees   | 22 |
| TOTAL  | 22 |
| Number of Participating Employers                                | 1  |

**Funding Policy and Contributions**

There is no funding policy that exists for the postretirement plan at this time, as the total OPEB liabilities are currently an unfunded obligation.

The employer contributions and benefit payments are related to the increase in active premiums due to the presence of retirees in the determination of blended retiree/active premiums.

**Total OPEB Liability**

The South Cook Intermediate Service Center #4's total OPEB Liability of \$233,315 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (Continued)

B. TEACHER RETIREMENT SYSTEM – HEALTH INSURANCE PLAN (Continued)

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified.

|                             |  |
|-----------------------------|--|
| Inflation                   | 3.50%  |
| Actuarial Cost Method       | Entry Age Normal cost method was applied for actively employed participants.   |
| Discount rate               | As of June 30, 2018 a rate of 2.98% was used. As of June 30, 2019 a rate of 2.79% was used.  |
| Healthcare cost trend rates | Based on forecast information in published papers from industry experts combined with historical premium rate experience, suggests a 7.00% medical increase for the 2018-2019 fiscal year trending down to an ultimate rate of 4.50% in the 2028-2029 and later fiscal years.  |
| Mortality rates             | Mortality rates used were based on the RP-2014 Healthy Annuitant Mortality Table with White Collar Adjustments, projected generationally with Scale MP-2014. Post-commencement rates were further adjusted. Specifically, male rates were multiplied by 115% for ages 78-114, and female rates were multiplied by 76% for ages 50-77 and 106% for ages 78-114.   |
| Salary scale                | Salary is assumed to increase at a rate of 3.50% per year, and represents merit increases plus cost of living adjustments. Benefits are not salary based and this assumption is only used for application of the cost method.  |
| Retirement rates            | For TRS employees hired prior to January 1, 2011, eligibility for reduced early retirement is 55 years old and 20 years of service while eligibility for normal unreduced retirement is 55 years old and 35 years of service, 60 years old and 10 years of service, or 62 years old and 5 years of service. For TRS employees hired after January 1, 2011, eligibility for reduced early retirement is 62 years old and 10 years of service while eligibility for normal unreduced retirement is 67 years old and 10 years of service. Assumptions are based on the expectation that future experience under the plan will be materially consistent with the assumptions utilized in the TRS valuations. |

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (Continued)

B. TEACHER RETIREMENT SYSTEM – HEALTH INSURANCE PLAN (Continued)

**Changes in the Total OPEB Liability**

The following represents the reconciliation of the Total OPEB Liability (TOL) from the beginning of the Fiscal Year (July 1, 2018) to the end of the Fiscal Year (June 30, 2019). The TOL as of June 30, 2019 is \$233,315.

|   | <b>Total<br/>OPEB<br/>Liability<br/>(A)</b> | <b>OPEB Plan<br/>Net Position<br/>(B)</b> | <b>Net OPEB<br/>Liability (Asset)<br/>(A) - (B)</b> |
|---|---|---|---|
| <b>Beginning of the Year TOL</b>        | \$ 468,722                                  | \$ -                                      | \$ 468,722  |
| <b>Changes for the year:</b>            |   |   |   |
| Service Cost                            | 8,924                                       | -   | 8,924   |
| Interest Cost                           | 6,412                                       | -   | 6,412   |
| Changes of Benefit Terms                | -   | -   | -   |
| Differences Between Expected and Actual |   |   |   |
| Experience                              | (94,332)                                    | -   | (94,332)  |
| Changes of Assumptions                  | (154,712)                                   | -   | (154,712)   |
| Contributions - Employer                | -   | 1,699                                     | 1,699   |
| Net Investment Income                   | -   | -   | -   |
| Benefit Payments                        | (1,699)                                     | (1,699)                                   | (1,699)   |
| Administrative Expense                  | -   | -   | -   |
| Net Changes                             | (235,407)                                   | -   | (235,407)   |
| <b>End of the Year TOL</b>              | <b>\$ 233,315</b>                           | <b>\$ -</b>                               | <b>\$ 233,315</b>                                   |

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the South Cook Intermediate Service Center #4's total liability, as well as what the total liability would be if it were calculated using the discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

|                      | <b>1% Decrease<br/>(1.79%)</b> | <b>Current<br/>Discount Rate<br/>(2.79%)</b> | <b>1% Increase<br/>(3.79%)</b> |
|----------------------|--------------------------------|--|--------------------------------|
| Total OPEB Liability | \$ 253,454                     | \$ 233,315                                   | \$ 214,701                     |

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (Continued)

B. TEACHER RETIREMENT SYSTEM – HEALTH INSURANCE PLAN (Concluded)

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rates**

The following presents the South Cook Intermediate Service Center #4’s total liability, as well as what the total liability would be if it were calculated using the discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate. The key trends are 7.00% in 2018-2019 fiscal year trending down to an ultimate rate of 4.50% in the 2028-2029 and later fiscal years.

|                      | <u>1% Decrease</u> | <u>Current<br/>Discount Rate</u> | <u>1% Increase</u> |
|----------------------|--------------------|----------------------------------|--------------------|
| Total OPEB Liability | \$ 201,293         | \$ 233,315                       | \$ 271,649         |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the period of July 1, 2018 to June 30, 2019, South Cook Intermediate Service Center #4 recognized OPEB income of \$19,147. At June 30, 2019, South Cook Intermediate Service Center #4 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences Between Expected and Actual Experience | \$ 34,362                                 | \$ (116,066)                             |
| Differences Between Projected and Actual Earnings  | -   | -  |
| Changes in Assumption                              | 7,101                                     | (137,164)                                |
| Total  | <u>\$ 41,463</u>                          | <u>\$ (253,230)</u>                      |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year<br/>Ending<br/>June 30,</u> |                     |
|-------------------------------------|---------------------|
| 2020                                | \$ (32,784)         |
| 2021                                | (32,784)            |
| 2022                                | (32,784)            |
| 2023                                | (32,784)            |
| 2024                                | (32,784)            |
| Thereafter                          | (47,847)            |
| <b>Total</b>                        | <u>\$ (211,767)</u> |

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (Continued)

**C. IMRF– HEALTH INSURANCE PLAN**

**Plan Description and Actuarial Valuation**

In addition to providing the pension benefits described in Note 4, the South Cook Intermediate Service Center #4 provides postemployment health care benefits (OPEB) for retired IMRF 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 to be performed at least every two years. As a result of this requirement, South Cook Intermediate Service Center #4 was required to have an actuarial valuation for the year ended June 30, 2019. The results of ISC #4’s latest actuarial valuation are described below.

**Eligibility Provisions**

Employees eligible to retire under IMRF are eligible for the postemployment health care benefits

**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. Retirees pay the full cost of the coverage. 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 June 30, 2019, membership consisted of:

|  |    |
|--|----|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | -  |
| Inactive Employees Entitled to but not yet Receiving Benefits    | 1  |
| Active Employees   | 16 |
| TOTAL  | 17 |
| Number of Participating Employers                                | 1  |

**Funding Policy and Contributions**

There is no funding policy that exists for the postretirement plan at this time, as the total OPEB liabilities are currently an unfunded obligation.

The employer contributions and benefit payments are related to the increase in active premiums due to the presence of retirees in the determination of blended retiree/active premiums.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (Continued)

C. IMRF– HEALTH INSURANCE PLAN (Continued)

**Total OPEB Liability**

The South Cook Intermediate Service Center #4’s total OPEB Liability of \$100,114 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified.

|                             |  |
|-----------------------------|--|
| Inflation                   | 3.00%  |
| Actuarial Cost Method       | Entry Age Normal cost method was applied for actively employed participants.   |
| Discount rate               | As of June 30, 2018 a rate of 2.98% was used. As of June 30, 2019 a rate of 2.79% was used.  |
| Healthcare cost trend rates | Based on forecast information in published papers from industry experts combined with historical premium rate experience, suggests a 7.00% medical increase for the 2018-2019 fiscal year trending down to an ultimate rate of 4.50% in the 2028-2029 and later fiscal years.  |
| Mortality rates             | Mortality rates used were based on the RP-2014 Healthy Annuitant Mortality Table with Blue Collar Adjustments, projected generationally with Scale MP-2014. Pre- and Post-commencement rates were further adjusted. Specifically, male rates were multiplied by 88% and female rates were multiplied by 82% for all ages.  |
| Salary scale                | Salary is assumed to increase at a rate of 3.0% per year, and represents merit increases plus cost of living adjustments. Benefits are not salary based and this assumption is only used for application of the cost method.   |
| Retirement rates            | For IMRF employees hired prior to January 1, 2011, eligibility for reduced early retirement is 55 years old and 8 years of service while eligibility for normal unreduced retirement is 55 years old and 35 years of service or 60 years old and 8 years of service. For IMRF employees hired after January 1, 2011, eligibility for reduced early retirement is 62 years old and 10 years of service while eligibility for normal unreduced retirement is 62 years old and 35 years of service or 67 years old and 10 years of services. Assumptions are based on the expectation that future experience under the plan will be materially consistent with the assumptions utilized in the IMRF valuations. |

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (Continued)

C. IMRF– HEALTH INSURANCE PLAN (Continued)

**Changes in the Total OPEB Liability**

The following represents the reconciliation of the Total OPEB Liability (TOL) from the beginning of the Fiscal Year (July 1, 2018) to the end of the Fiscal Year (June 30, 2019). The TOL as of June 30, 2019 is \$100,114.

|   | <b>Total<br/>OPEB<br/>Liability<br/>(A)</b> | <b>OPEB Plan<br/>Net Position<br/>(B)</b> | <b>Net OPEB<br/>Liability (Asset)<br/>(A) - (B)</b> |
|---|---|---|---|
| <b>Beginning of the Year TOL</b>                      | \$ 98,647                                   | \$ -                                      | \$ 98,647   |
| <b>Changes for the year:</b>                          |   |   |   |
| Service Cost  | 2,648                                       | -   | 2,648   |
| Interest Cost   | 2,862                                       | -   | 2,862   |
| Changes of Benefit Terms                              | -   | -   | -   |
| Differences Between Expected and Actual<br>Experience | -   | -   | -   |
| Changes of Assumptions                                | 1,203                                       | -   | 1,203   |
| Contributions - Employer                              | -   | 5,246                                     | 5,246   |
| Net Investment Income                                 | -   | -   | -   |
| Benefit Payments                                      | (5,246)                                     | (5,246)                                   | (5,246)   |
| Administrative Expense                                | -   | -   | -   |
| Net Changes   | 1,467                                       | -   | 1,467   |
| <b>End of the Year TOL</b>                            | <b>\$ 100,114</b>                           | <b>\$ -</b>                               | <b>\$ 100,114</b>                                   |

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the South Cook Intermediate Service Center #4's total liability, as well as what the total liability would be if it were calculated using the discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

|                      | <b>1% Decrease<br/>(1.79%)</b> | <b>Current<br/>Discount Rate<br/>(2.79%)</b> | <b>1% Increase<br/>(3.79%)</b> |
|----------------------|--------------------------------|--|--------------------------------|
| Total OPEB Liability | \$ 106,620                     | \$ 100,114                                   | \$ 93,902                      |

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (Continued)

C. IMRF– HEALTH INSURANCE PLAN (Concluded)

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rates**

The following presents the South Cook Intermediate Service Center #4’s total liability, as well as what the total liability would be if it were calculated using the discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate. The key trend rates are 7.00% in 2018-2019 fiscal year trending down to an ultimate rate of 4.50% in the 2028-2029 and later fiscal years.

|                      | <u>1% Decrease</u> | <u>Current<br/>Discount Rate</u> | <u>1% Increase</u> |
|----------------------|--------------------|----------------------------------|--------------------|
| Total OPEB Liability | \$ 89,244          | \$ 100,114                       | \$ 112,480         |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the period of July 1, 2018 to June 30, 2019, South Cook Intermediate Service Center #4 recognized OPEB expense of \$487. At June 30, 2019, South Cook Intermediate Service Center #4 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences Between Expected and Actual Experiences | \$ -                                      | \$ -                                     |
| Differences Between Projected and Actual Earnings   | -   | -  |
| Changes in Assumption                               | 980                                       | -  |
| <b>Total</b>  | <u>\$ 980</u>                             | <u>\$ -</u>                              |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Year Ending<br/>June 30,</b> |           |            |
|---------------------------------|-----------|------------|
| 2020                            | \$        | 223        |
| 2021                            |           | 223        |
| 2022                            |           | 223        |
| 2023                            |           | 223        |
| 2024                            |           | 88         |
| Thereafter                      |           | -          |
| <b>Total</b>                    | <u>\$</u> | <u>980</u> |

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.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2019:

|                                   | Balance<br>July 1, 2018 | Additions           | Deletions       | Balance<br>June 30, 2019 |
|-----------------------------------|-------------------------|---------------------|-----------------|--------------------------|
| Governmental Activities:          |                         |                     |                 |                          |
| Equipment                         | \$ 2,227,737            | \$ 41,259           | \$ (71,295)     | \$ 2,197,701             |
| Building                          | 4,308,030               | -                   | -               | 4,308,030                |
| Governmental Activities Total     | <u>6,535,767</u>        | <u>41,259</u>       | <u>(71,295)</u> | <u>6,505,731</u>         |
| Assets                            |                         |                     |                 |                          |
| Less Accumulated Depreciation     |                         |                     |                 |                          |
| Equipment                         | (1,875,639)             | (39,825)            | 71,295          | (1,844,169)              |
| Building                          | (1,779,598)             | (112,193)           | -               | (1,891,791)              |
| Total Accumulated Depreciation    | <u>(3,655,237)</u>      | <u>(152,018)</u>    | <u>71,295</u>   | <u>(3,735,960)</u>       |
| Governmental Activities           |                         |                     |                 |                          |
| Investment in Capital Assets, Net | <u>\$ 2,880,530</u>     | <u>\$ (110,759)</u> | <u>\$ -</u>     | <u>\$ 2,769,771</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, 2019 of \$152,018 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 salaries of the executive director and assistant executive director and contributions on-behalf of the South Cook Intermediate Service Center #4:

|  |                     |
|--|---------------------|
| State of Illinois                            |                     |
| Executive Director Salary                    | \$ 117,600          |
| Executive Director Fringe Benefits           | 37,990              |
| Assistant Executive Director Salary          | 105,840             |
| Assistant Executive Director Fringe Benefits | 32,737              |
|  | <u>294,167</u>      |
| ISC #4's share of THIS OPEB expense          | 111,520             |
| ISC #4's share of TRS pension expense        | 1,007,892           |
| Total  | <u>\$ 1,413,579</u> |

Salary and benefit date for the Executive Director and Assistant Executive Director were calculated based on data provided by the Illinois State Board of Education. These amounts have been recorded in the accompanying governmental fund financial statements as State revenue and expenditures.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 8 – ON – BEHALF PAYMENTS (CONCLUDED)

ISC #4 also recorded \$1,007,892 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 and \$111,520 in revenue and expenses as on-behalf payments from the THIS fund for the ISC's share of the OPEB 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.

NOTE 9 – DUE FROM OTHER GOVERNMENTS

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

Due from Other Governments:

|                                       |  |    |  |        |  |
|---------------------------------------|--|----|--|--------|--|
| Special Revenue Fund – Education Fund |  |    |  |        |  |
| Local Governments                     |  | \$ |  | 43,517 |  |
| Illinois State Board of Education     |  |    |  | 37,464 |  |
| Total                                 |  | \$ |  | 80,981 |  |

NOTE 10 – INTERFUND ACTIVITY

Interfund due to/from fund balances at June 30, 2019 consist of the following individual due to/from other funds in the governmental fund Balance Sheet. The purpose of interfund borrowing was to cover temporary shortfalls in cash flow within grant programs and funds.

| Fund   | Due From<br>Other Funds | Due to<br>Other Funds |
|--|-------------------------|-----------------------|
| General Funds                                |                         |                       |
| RISE and General State Aid                   | \$ 45,213               | \$ -                  |
| Major Special Revenue Fund – Education Funds |                         |                       |
| Regional Safe Schools                        | -                       | 31,765                |
| South Cook Mathematics Initiative            | -                       | 7,749                 |
| Title II – Teacher Quality Leadership Grant  | -                       | 5,699                 |
|  | \$ 45,213               | \$ 45,213             |

Interfund transfers in/out to other fund balances at June 30, 2019 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                  | \$ 878,304   | \$ -          |
| Major Proprietary Fund |              |               |
| Workshop Fund          | -            | 878,304       |
|                        | \$ 878,304   | \$ 878,304    |

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 11 – LONG-TERM LIABILITIES

Changes in long-term liabilities during the fiscal year were as follows:

|                                      | <u>June 30, 2018</u> | <u>Additions</u>  | <u>Deductions</u>  | <u>June 30, 2019</u> |
|--------------------------------------|----------------------|-------------------|--------------------|----------------------|
| Net OPEB liability – THIS            | \$ 1,785,760         | \$ -              | \$(185,981)        | \$ 1,599,779         |
| Net OPEB liability – TRS             | 468,722              | -                 | (235,407)          | 233,315              |
| OPEB liability – IMRF                | 98,647               | 1,467             | -                  | 100,114              |
| Total OPEB liabilities               | <u>2,353,129</u>     | <u>1,467</u>      | <u>( 421,388)</u>  | <u>1,933,208</u>     |
| <br>                                 |                      |                   |                    |                      |
| Net pension liability (asset) – IMRF | (78,764)             | 514,393           | -                  | 435,629              |
| Net pension liability - TRS          | 703,109              | -                 | (546,450)          | 156,659              |
| Total net pension liability          | <u>624,345</u>       | <u>514,393</u>    | <u>(546,450)</u>   | <u>592,288</u>       |
| <br>                                 |                      |                   |                    |                      |
| Total noncurrent liabilities         | <u>\$ 2,977,474</u>  | <u>\$ 515,860</u> | <u>\$(967,838)</u> | <u>\$ 2,525,496</u>  |

NOTE 12 – 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, 2019:

|  |           |
|--|-----------|
| Special Revenue Fund – Education Fund –<br>Regional Safe Schools | \$ 31,765 |
|--|-----------|

**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4  
ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
LAST FIVE CALENDAR YEARS - UNAUDITED**

| Calendar Year Ended December 31,  | <u>2018</u>         | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total Pension Liability</b>  |                     |                     |                     |                     |                     |
| Service Cost  | \$ 82,393           | \$ 89,319           | \$ 96,563           | \$ 98,567           | \$ 107,890          |
| Interest on the Total Pension Liability   | 228,552             | 208,152             | 212,157             | 194,281             | 170,633             |
| Changes of Benefit Terms  | -                   | -                   | -                   | -                   | -                   |
| Differences Between Expected and Actual Experience<br>of the Total Pension Liability  | 112,334             | 202,915             | (245,071)           | 10,591              | 13,349              |
| Changes of Assumptions  | 105,736             | (95,303)            | -                   | -                   | 87,624              |
| Benefit Payments, including Refunds of Employee Contributions                         | (98,932)            | (159,894)           | (66,957)            | (61,238)            | (59,061)            |
| <b>Net Change in Total Pension Liability</b>  | <u>430,083</u>      | <u>245,189</u>      | <u>(3,308)</u>      | <u>242,201</u>      | <u>320,435</u>      |
| <b>Total Pension Liability - Beginning</b>  | <u>3,054,583</u>    | <u>2,809,394</u>    | <u>2,812,702</u>    | <u>2,570,501</u>    | <u>2,250,066</u>    |
| <b>Total Pension Liability - Ending (A)</b>   | <u>\$ 3,484,666</u> | <u>\$ 3,054,583</u> | <u>\$ 2,809,394</u> | <u>\$ 2,812,702</u> | <u>\$ 2,570,501</u> |
| <b>Plan Fiduciary Net Position</b>  |                     |                     |                     |                     |                     |
| Contributions - Employer  | \$ 77,768           | \$ 102,648          | \$ 96,230           | \$ 98,510           | \$ 102,270          |
| Contributions - Employees   | 36,722              | 73,360              | 35,149              | 38,447              | 38,224              |
| Net Investment Income   | (97,948)            | 468,670             | 167,330             | (35,585)            | 115,205             |
| Benefit Payments, including Refunds of Employee Contributions                         | (98,932)            | (159,894)           | (66,957)            | (61,238)            | (59,061)            |
| Other (Net Transfer)  | (1,920)             | (2,749)             | (2,671)             | 1,965               | 1,521               |
| <b>Net Change in Plan Fiduciary Net Position</b>                                      | <u>(84,310)</u>     | <u>482,035</u>      | <u>229,081</u>      | <u>42,099</u>       | <u>198,159</u>      |
| <b>Plan Fiduciary Net Position - Beginning (Restated)</b>                             | <u>3,133,347</u>    | <u>2,651,312</u>    | <u>2,422,231</u>    | <u>2,380,132</u>    | <u>2,181,973</u>    |
| <b>Plan Fiduciary Net Position - Ending (B)</b>                                       | <u>\$ 3,049,037</u> | <u>\$ 3,133,347</u> | <u>\$ 2,651,312</u> | <u>\$ 2,422,231</u> | <u>\$ 2,380,132</u> |
| <b>Net Pension Liability - Ending (A) - (B)</b>                                       | <u>\$ 435,629</u>   | <u>\$ (78,764)</u>  | <u>\$ 158,082</u>   | <u>\$ 390,471</u>   | <u>\$ 190,369</u>   |
| <b>Plan Fiduciary Net Position as a Percentage<br/>of the Total Pension Liability</b> | 87.50%              | 102.58%             | 94.37%              | 86.12%              | 92.59%              |
| <b>Covered Payroll</b>  | \$ 816,036          | \$ 823,157          | \$ 781,092          | \$ 854,383          | \$ 833,221          |
| <b>Net Pension Liability as a Percentage<br/>of Covered Payroll</b>                   | 53.38%              | -9.57%              | 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 FIVE CALENDAR YEARS - UNAUDITED**

| <b>Calendar<br/>Year Ended<br/>December 31</b> | <b>Actuarially<br/>Determined<br/>Contribution</b> | <b>Actual<br/>Contribution</b> | <b>Contribution<br/>Deficiency<br/>(Excess)</b> | <b>Covered<br/>Payroll</b> | <b>Actual Contribution<br/>as a<br/>Percentage of<br/>Covered Payroll</b> |
|--|--|--------------------------------|---|----------------------------|---|
| 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%  |
| 2017   | 102,648  | 102,648                        | -   | 823,157                    | 12.47%  |
| 2018   | 77,768   | 77,768                         | -   | 816,036                    | 9.53%   |

**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 2018 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 2018 Contribution Rates:**

*Actuarial Cost Method:* Aggregate entry age = normal  
*Amortization Method:* Level percentage of payroll, closed  
*Remaining Amortization Period:* 25-year closed period  
*Asset Valuation Method:* 5-year smoothed market; 20% corridor  
*Wage Growth:* 3.50%  
*Price Inflation:* 2.75%, approximate;  
*Salary Increases:* 3.75% to 14.50%, including inflation  
*Investment Rate of Return:* 7.50%  
*Retirement Age:* Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.  
*Mortality:* For nondisabled retirees, and IMRF specific mortality table was used with fully generational projection scale MP-2014 (based year 2012). The IMRF specific rates 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 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 2012). 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, 2016, 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 - UNAUDITED**  
**FOR THE YEAR ENDED JUNE 30, 2019†**

|  | <u>FY2018*</u>       | <u>FY2017*</u>       | <u>FY2016*</u>       | <u>FY2015*</u>       | <u>FY2014*</u>      |
|--|----------------------|----------------------|----------------------|----------------------|---------------------|
| Employer's proportion of the net pension liability   | 0.0002039207%        | 0.0009203216%        | 0.0009280693%        | 0.0009005002%        | 0.0004289567%       |
| Employer's proportionate share of the net pension liability  | \$ 156,659           | \$ 703,109           | \$ 732,581           | \$ 589,918           | \$ 261,056          |
| State's proportionate share of the net pension liability associated with the Employer              | 10,731,785           | 11,695,848           | 13,030,305           | 10,249,832           | 9,485,250           |
| Total  | <u>\$ 10,888,444</u> | <u>\$ 12,398,957</u> | <u>\$ 13,762,886</u> | <u>\$ 10,839,750</u> | <u>\$ 9,746,306</u> |
| Employer's covered payroll   | \$ 1,441,496         | \$ 1,571,069         | \$ 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 | 10.9%                | 44.8%                | 44.8%                | 36.4%                | 16.5%               |
| Plan fiduciary net position as a percentage of the total pension liability                         | 40.0%                | 39.3%                | 36.4%                | 41.5%                | 43.0%               |

\*The amounts presented were determined as of the prior fiscal-year end. TRS has determined that beginning the current fiscal year ended June 30, 2018, the actual contributions to the plan used as a basis of allocation no longer includes contributions paid from special trust or federal funds.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS - UNAUDITED**  
**FOR THE YEAR ENDED JUNE 30, 2019†**

|  | <u>FY2019</u> | <u>FY2018</u> | <u>FY2017</u> | <u>FY2016</u> | <u>FY2015</u> | <u>FY2014</u> |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Statutorily-required contribution                                  | \$ 10,553     | \$ 21,464     | \$ 48,518     | \$ 33,755     | \$ 21,421     | \$ 17,107     |
| Contributions in relation to the statutorily-required contribution | 10,553        | 21,464        | 48,518        | 33,755        | 21,421        | 17,107        |
| Contribution deficiency (excess)                                   | <u>\$ -</u>   |
| Employer's covered payroll   | \$ 1,275,098  | \$ 1,441,496  | \$ 1,571,069  | \$ 1,636,686  | \$ 1,620,419  | \$ 1,581,211  |
| Contributions as a percentage of covered payroll                   | 0.8%          | 1.5%          | 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 GASB Statement No. 68.

**Notes to Supplementary Information**

**Changes of assumptions**

For the 2018, 2017 and 2016 measurement years, the assumed investment rate of return was 7.0 percent, including an inflation rate of 2.5 percent and real return of 4.5 percent. Salary increases were assumed to vary by service credit, but the rates increase in the 2018 measurement year were slightly higher.

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**  
**SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY**  
**TEACHERS' HEALTH INSURANCE SECURITY FUND - *UNAUDITED***  
**FOR THE YEAR ENDED JUNE 30, 2019**

|   | <u>FY2018*</u>      | <u>FY2017*</u>      | <u>FY2016*</u>      |
|---|---------------------|---------------------|---------------------|
| Employer's proportion of the collective net OPEB liability (asset)  | 0.006072%           | 0.006882%           | 0.006571%           |
| Employer's proportionate share of the collective net OPEB liability (asset)   | \$ 1,599,779        | \$ 1,785,760        | \$ 1,796,137        |
| State's proportionate share of the collective net OPEB liability associated with the Employer                         | 2,148,153           | 2,345,143           | 2,490,527           |
| Total   | <u>\$ 3,747,932</u> | <u>\$ 4,130,903</u> | <u>\$ 4,286,664</u> |
| Employer's covered payroll  | \$ 1,441,496        | \$ 1,571,069        | \$ 1,636,686        |
| Employer's proportionate share of the collective net OPEB liability (asset)<br>as a percentage of its covered payroll | 111.0%              | 113.7%              | 109.7%              |
| Plan fiduciary net position as a percentage of the total OPEB liability   | -0.07%              | -0.17%              | -0.22%              |

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

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**TEACHERS' HEALTH INSURANCE SECURITY FUND - *UNAUDITED***  
**FOR THE YEAR ENDED JUNE 30, 2019**

|  | <u>FY2019</u> | <u>FY2018</u> | <u>FY2017</u> | <u>FY2016</u> |
|--|---------------|---------------|---------------|---------------|
| Statutorily-required contribution                                  | \$ 11,731     | \$ 12,685     | \$ 13,197     | \$ 13,093     |
| Contributions in relation to the statutorily-required contribution | 11,731        | 12,685        | 13,197        | 13,093        |
| Contribution deficiency (excess)                                   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   |
| Employer's covered payroll   | \$ 1,275,098  | \$ 1,441,496  | \$ 1,571,069  | \$ 1,636,686  |
| Contributions as a percentage of covered payroll                   | 0.92%         | 0.88%         | 0.84%         | 0.80%         |

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

**Notes to Required Supplementary Information**

***Changes of Benefit Terms***

In the June 30, 2019 actuarial valuation, there have been no changes of benefit terms from the prior period.

***Changes of assumptions***

For the 2018 and 2017 measurement year, the assumed investment rate of return was 0.0 percent, including an inflation rate of 2.75 percent. Salary increases were assumed to depend on service and range from 9.25% at 1 year of service to 3.25% at 20 or more years of service. Salary increases include a 3.25% wage inflation assumption.

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4  
OTHER POST-EMPLOYMENT BENEFITS  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST FISCAL YEAR - UNAUDITED**

| Fiscal Year Ended June 30,   | <u>TRS Retirees</u> |                   | <u>IMRF Retirees</u> |
|--|---------------------|-------------------|----------------------|
|  | <u>2019</u>         | <u>2018</u>       | <u>2019</u>          |
| <b>Total OPEB Liability</b>  |                     |                   |                      |
| Service Cost   | \$ 8,924            | \$ 25,319         | \$ 2,648             |
| Interest Cost  | 6,412               | 14,134            | 2,862                |
| Changes of Benefit Terms   | -                   | -                 | -                    |
| Differences Between Expected and Actual Experience                                 | (94,332)            | -                 | -                    |
| Changes of Assumptions   | (154,712)           | 5,048             | 1,203                |
| Expected Benefit Payments  | (1,699)             | -                 | (5,246)              |
| <b>Net Change in Total OPEB Liability</b>  | <u>(235,407)</u>    | <u>44,501</u>     | <u>1,467</u>         |
| <b>Total OPEB Liability - Beginning</b>  | <u>468,722</u>      | <u>424,221</u>    | <u>98,647</u>        |
| <b>Total OPEB Liability - Ending (A)</b>   | <u>\$ 233,315</u>   | <u>\$ 468,722</u> | <u>\$ 100,114</u>    |
| <b>Plan Fiduciary Net Position</b>   |                     |                   |                      |
| Expected Employer Contributions  | \$ 1,699            | \$ 4,043          | \$ 5,246             |
| Net Investment Income  | -                   | -                 | -                    |
| Expected Benefit Payments  | (1,699)             | (4,043)           | (5,246)              |
| Administrative Expenses  | -                   | -                 | -                    |
| <b>Net Change in Plan Fiduciary Net Position</b>                                   | <u>-</u>            | <u>-</u>          | <u>-</u>             |
| <b>Plan Fiduciary Net Position - Beginning (Restated)</b>                          | <u>-</u>            | <u>-</u>          | <u>-</u>             |
| <b>Plan Fiduciary Net Position - Ending (B)</b>                                    | <u>\$ -</u>         | <u>\$ -</u>       | <u>\$ -</u>          |
| <b>Net OPEB Liability - Ending (A) - (B)</b>                                       | <u>\$ 233,315</u>   | <u>\$ 468,722</u> | <u>\$ 100,114</u>    |
| <b>Plan Fiduciary Net Position as a Percentage<br/>of the Total OPEB Liability</b> | 0.00%               | 0.00%             | 0.00%                |
| <b>Covered Payroll</b>   | \$ 1,421,160        | \$ 593,682        | \$ 697,426           |
| <b>Net OPEB Liability as a Percentage<br/>of Covered Payroll</b>                   | 16.42%              | 78.95%            | 14.35%               |

Note: 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.

**Notes to Required Supplementary Information**

***Changes of Benefit Terms***

In the June 30, 2019 actuarial valuation, there have been no changes of benefit terms from the prior period.

***Changes of assumptions***

For the 2019 measurement year, the assumed discount rate was 2.79%

For the 2018 measurement year, the assume discount rate was 2.98%

**SUPPLEMENTARY INFORMATION**

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**COMBINING SCHEDULE OF ACCOUNTS**  
**GENERAL FUND**  
**June 30, 2019**

|  | RISE<br>and General<br>State Aid | Local             | Spelling Bee | Totals              |
|--|----------------------------------|-------------------|--------------|---------------------|
| <b>Assets</b>  |                                  |                   |              |                     |
| Cash and cash equivalents  | \$ 3,381,262                     | \$ 143,468        | \$ -         | \$ 3,524,730        |
| Due from other funds   | 45,213                           |                   |              | 45,213              |
| Due from other governments   |                                  |                   |              |                     |
| Local  | 34,118                           | 1,650             |              | 35,768              |
| Total Assets   | <u>3,460,593</u>                 | <u>145,118</u>    | <u>-</u>     | <u>3,605,711</u>    |
| Deferred outflows of resources   | <u>-</u>                         | <u>-</u>          | <u>-</u>     | <u>-</u>            |
| Total assets and deferred outflows of resources                        | <u>\$ 3,460,593</u>              | <u>\$ 145,118</u> | <u>\$ -</u>  | <u>\$ 3,605,711</u> |
| <b>Liabilities</b>   |                                  |                   |              |                     |
| Accounts payable   | \$ 51,208                        | \$ 3,263          | \$ -         | \$ 54,471           |
| Accrued payroll and employee benefits                                  | 106,648                          | 2,634             |              | 109,282             |
| Total liabilities  | <u>157,856</u>                   | <u>5,897</u>      | <u>-</u>     | <u>163,753</u>      |
| Deferred inflows of resources  | <u>-</u>                         | <u>-</u>          | <u>-</u>     | <u>-</u>            |
| <b>Fund balance</b>  |                                  |                   |              |                     |
| Assigned   | 3,302,737                        | -                 | -            | 3,302,737           |
| Unassigned   | -                                | 139,221           | -            | 139,221             |
| Total fund balance   | <u>3,302,737</u>                 | <u>139,221</u>    | <u>-</u>     | <u>3,441,958</u>    |
| Total liabilities, deferred inflows<br>of resources, and fund balances | <u>\$ 3,460,593</u>              | <u>\$ 145,118</u> | <u>\$ -</u>  | <u>\$ 3,605,711</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, 2019**

|  | RISE<br>and General<br>State Aid | Local             | Spelling Bee  | Totals              |
|--|----------------------------------|-------------------|---------------|---------------------|
| <b>Revenues</b>  |                                  |                   |               |                     |
| Local sources  | \$ 1,190,371                     | \$ 87,394         | \$ 11,156     | \$ 1,288,921        |
| State sources  | 975,552                          | -                 | -             | 975,552             |
| On-behalf payments   | -                                | 294,167           | -             | 294,167             |
| Total revenues   | <u>2,165,923</u>                 | <u>381,561</u>    | <u>11,156</u> | <u>2,558,640</u>    |
| <b>Expenditures</b>  |                                  |                   |               |                     |
| Salaries   | 1,128,123                        | 419,407           | -             | 1,547,530           |
| Employee benefits  | 149,328                          | 110,727           | -             | 260,055             |
| Pension expense  | 37,132                           | 15,340            | -             | 52,472              |
| Purchased services   | 227,511                          | 206,731           | 9,057         | 443,299             |
| Supplies and materials                                       | 110,318                          | 39,812            | 2,099         | 152,229             |
| Other objects  | -                                | 9,913             | -             | 9,913               |
| On-behalf payments   | -                                | 294,167           | -             | 294,167             |
| Intergovernmental  |                                  |                   |               |                     |
| Payments to other governments                                | -                                | 58,411            | -             | 58,411              |
| Total expenditures   | <u>1,652,412</u>                 | <u>1,154,508</u>  | <u>11,156</u> | <u>2,818,076</u>    |
| Excess/(Deficiency) of revenues<br>over/(under) expenditures | <u>513,511</u>                   | <u>(772,947)</u>  | <u>-</u>      | <u>(259,436)</u>    |
| <b>Other financing sources/(uses)</b>                        |                                  |                   |               |                     |
| Transfers in   | -                                | 878,304           | -             | 878,304             |
| Total other financing sources/(uses)                         | <u>-</u>                         | <u>878,304</u>    | <u>-</u>      | <u>878,304</u>      |
| Net change in fund balance                                   | <u>513,511</u>                   | <u>105,357</u>    | <u>-</u>      | <u>618,868</u>      |
| Fund balance, beginning of year                              | <u>2,789,226</u>                 | <u>33,864</u>     | <u>-</u>      | <u>2,823,090</u>    |
| Fund balance, end of year                                    | <u>\$ 3,302,737</u>              | <u>\$ 139,221</u> | <u>\$ -</u>   | <u>\$ 3,441,958</u> |

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
June 30, 2019**

|  | McKinney-Vento<br>Education for<br>Homeless<br>Children<br>and Youth | Regional Safe<br>Schools | ROE/ISC<br>Operations | South Cook<br>Mathematics<br>Initiative | Title I -<br>School<br>Improvement<br>and Accountability | Title II -<br>Teacher Quality -<br>Leadership Grant | Totals           |
|--|--|--------------------------|-----------------------|---|--|---|------------------|
| <b>Assets</b>  |  |                          |                       |   |  |   |                  |
| Cash and cash equivalents  | \$ 1,681   | \$ -                     | \$ -                  | \$ -                                    | \$ -   | \$ -  | \$ 1,681         |
| Due from other governments   |  |                          |                       |   |  |   |                  |
| Local  | -  | -                        | -                     | 7,749                                   | -  | -   | 7,749            |
| State  | -  | 31,765                   | -                     | -                                       | -  | -   | 31,765           |
| Federal  | -  | -                        | -                     | -                                       | -  | 5,699   | 5,699            |
| Total assets   | <u>1,681</u>   | <u>31,765</u>            | <u>-</u>              | <u>7,749</u>                            | <u>-</u>   | <u>5,699</u>  | <u>46,894</u>    |
| Deferred outflow of resources  | <u>-</u>   | <u>-</u>                 | <u>-</u>              | <u>-</u>                                | <u>-</u>   | <u>-</u>  | <u>-</u>         |
| Total assets and deferred outflows of resources                        | <u>\$ 1,681</u>  | <u>\$ 31,765</u>         | <u>\$ -</u>           | <u>\$ 7,749</u>                         | <u>\$ -</u>  | <u>\$ 5,699</u>                                     | <u>\$ 46,894</u> |
| <b>Liabilities</b>   |  |                          |                       |   |  |   |                  |
| Accounts payable   | \$ 1,681   | \$ -                     | \$ -                  | \$ -                                    | \$ -   | \$ -  | \$ 1,681         |
| Due to other funds   | -  | 31,765                   | -                     | 7,749                                   | -  | 5,699   | 45,213           |
| Total liabilities  | <u>1,681</u>   | <u>31,765</u>            | <u>-</u>              | <u>7,749</u>                            | <u>-</u>   | <u>5,699</u>  | <u>46,894</u>    |
| Deferred inflows of resources  |  |                          |                       |   |  |   |                  |
| Unavailable revenue  | <u>-</u>   | <u>31,765</u>            | <u>-</u>              | <u>-</u>                                | <u>-</u>   | <u>-</u>  | <u>31,765</u>    |
| Fund balance/(deficit)   |  |                          |                       |   |  |   |                  |
| Unassigned   | <u>-</u>   | <u>(31,765)</u>          | <u>-</u>              | <u>-</u>                                | <u>-</u>   | <u>-</u>  | <u>(31,765)</u>  |
| Total fund balance/(deficit)   | <u>-</u>   | <u>(31,765)</u>          | <u>-</u>              | <u>-</u>                                | <u>-</u>   | <u>-</u>  | <u>(31,765)</u>  |
| Total liabilities, deferred inflows of resources,<br>and fund balances | <u>\$ 1,681</u>  | <u>\$ 31,765</u>         | <u>\$ -</u>           | <u>\$ 7,749</u>                         | <u>\$ -</u>  | <u>\$ 5,699</u>                                     | <u>\$ 46,894</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, 2019**

|                                 | McKinney-Vento<br>Education for<br>Homeless<br>Children<br>and Youth | Regional Safe<br>Schools | ROE/ISC<br>Operations | South Cook<br>Mathematics<br>Initiative | Title I -<br>School<br>Improvement<br>and Accountability | Title II -<br>Teacher Quality -<br>Leadership Grant | Totals      |
|---------------------------------|--|--------------------------|-----------------------|---|--|---|-------------|
| <b>Revenues</b>                 |  |                          |                       |   |  |   |             |
| Local sources                   | \$ -   | \$ -                     | \$ -                  | \$ 34,146                               | \$ -   | \$ -  | \$ 34,146   |
| State sources                   | -  | 349,338                  | 328,453               | -                                       | -  | -   | 677,791     |
| Federal sources                 | 169,638  | -                        | -                     | -                                       | 18,050   | 19,849  | 207,537     |
| Total revenues                  | 169,638  | 349,338                  | 328,453               | 34,146                                  | 18,050   | 19,849  | 919,474     |
| <b>Expenditures</b>             |  |                          |                       |   |  |   |             |
| Salaries                        | 35,232   | 295,323                  | 230,601               | 5,707                                   | 321  | -   | 567,184     |
| Employee benefits               | 13,743   | 74,120                   | 43,158                | 1,789                                   | 3,097  | -   | 135,907     |
| Pension expense                 | 1,043  | 3,681                    | 16,320                | 145                                     | 16   | -   | 21,205      |
| Purchased services              | 91,532   | 3,919                    | 17,592                | 23,397                                  | 9,947  | 19,849  | 166,236     |
| Supplies and materials          | 28,088   | 4,060                    | 20,782                | 3,108                                   | (128)  | -   | 55,910      |
| Total expenditures              | 169,638  | 381,103                  | 328,453               | 34,146                                  | 13,253   | 19,849  | 946,442     |
| Net change in fund balance      | -  | (31,765)                 | -                     | -                                       | 4,797  | -   | (26,968)    |
| Fund balance, beginning of year | -  | -                        | -                     | -                                       | (4,797)  | -   | (4,797)     |
| Fund balance, end of year       | \$ -   | \$ (31,765)              | \$ -                  | \$ -                                    | \$ -   | \$ -  | \$ (31,765) |

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 1, 2018 to June 30, 2019)**  
**EDUCATION FUND ACCOUNTS**  
**MCKINNEY-VENTO EDUCATION FOR HOMELESS CHILDREN AND YOUTH**  
**For the Year Ended June 30, 2019**

|  | Budgeted Amounts |                | Actual<br>Amounts |
|--|------------------|----------------|-------------------|
|  | Original         | Final          |                   |
| Revenues                                     |                  |                |                   |
| Federal sources                              | \$ 151,800       | \$ 169,880     | \$ 169,638        |
| Total revenues                               | <u>151,800</u>   | <u>169,880</u> | <u>169,638</u>    |
| Expenditures                                 |                  |                |                   |
| Salaries                                     | 32,391           | 32,391         | 35,232            |
| Employee benefits, including pension expense | 12,321           | 12,321         | 14,786            |
| Purchased services                           | 84,883           | 93,088         | 91,532            |
| Supplies and materials                       | 19,705           | 29,580         | 28,088            |
| Capital outlay                               | 2,500            | 2,500          | -                 |
| Total expenditures                           | <u>151,800</u>   | <u>169,880</u> | <u>169,638</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, 2018 to June 30, 2019)**  
**EDUCATION FUND ACCOUNTS**  
**REGIONAL SAFE SCHOOLS**  
**For the Year Ended June 30, 2019**

|  | Budgeted Amounts |                | Actual<br>Amounts  |
|--|------------------|----------------|--------------------|
|  | Original         | Final          |                    |
| Revenues                                     |                  |                |                    |
| State sources                                | \$ 381,103       | \$ 381,103     | \$ 349,338         |
| Total revenues                               | <u>381,103</u>   | <u>381,103</u> | <u>349,338</u>     |
| Expenditures                                 |                  |                |                    |
| Salaries                                     | 294,923          | 294,923        | 295,323            |
| Employee benefits, including pension expense | 74,008           | 74,008         | 77,801             |
| Purchased services                           | 7,172            | 7,172          | 3,919              |
| Supplies and materials                       | 5,000            | 5,000          | 4,060              |
| Total expenditures                           | <u>381,103</u>   | <u>381,103</u> | <u>381,103</u>     |
| Net change in fund balance                   | <u>\$ -</u>      | <u>\$ -</u>    | (31,765)           |
| Fund balance, beginning of year              |                  |                | <u>-</u>           |
| Fund balance, end of year                    |                  |                | <u>\$ (31,765)</u> |

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 1, 2018 to June 30, 2019)**  
**EDUCATION FUND ACCOUNTS**  
**ROE/ISC OPERATIONS**  
**For the Year Ended June 30, 2019**

|  | Budgeted Amounts |                | Actual<br>Amounts |
|--|------------------|----------------|-------------------|
|  | Original         | Final          |                   |
| Revenues                                     |                  |                |                   |
| State sources                                | \$ 328,453       | \$ 328,453     | \$ 328,453        |
| Total revenues                               | <u>328,453</u>   | <u>328,453</u> | <u>328,453</u>    |
| Expenditures                                 |                  |                |                   |
| Salaries                                     | 231,306          | 231,306        | 230,601           |
| Employee benefits, including pension expense | 43,562           | 59,783         | 59,478            |
| Purchased services                           | 32,987           | 16,766         | 17,592            |
| Supplies and materials                       | 20,598           | 20,598         | 20,782            |
| Total expenditures                           | <u>328,453</u>   | <u>328,453</u> | <u>328,453</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, 2018 to August 31, 2018)**  
**EDUCATION FUND ACCOUNTS**  
**TITLE I - SCHOOL IMPROVEMENT AND ACCOUNTABILITY**  
**For the Year Ended June 30, 2019**

|  | Budgeted Amounts |                | Actual<br>Amounts |
|--|------------------|----------------|-------------------|
|  | Original         | Final          |                   |
| Revenues                                     |                  |                |                   |
| Federal sources                              | \$ 190,000       | \$ 190,000     | \$ 18,050         |
| Total revenues                               | <u>190,000</u>   | <u>190,000</u> | <u>18,050</u>     |
| Expenditures                                 |                  |                |                   |
| Salaries                                     | 132,161          | 82,003         | 321               |
| Employee benefits, including pension expense | 22,052           | 29,555         | 3,113             |
| Purchased services                           | 30,705           | 73,360         | 9,947             |
| Supplies and materials                       | 5,082            | 5,082          | (128)             |
| Total expenditures                           | <u>190,000</u>   | <u>190,000</u> | <u>13,253</u>     |
| Net change in fund balance                   | <u>\$ -</u>      | <u>\$ -</u>    | 4,797             |
| Fund balance, beginning of year              |                  |                | <u>(4,797)</u>    |
| Fund balance, end of year                    |                  |                | <u>\$ -</u>       |

**SOUTH COOK INTERMEDIATE SERVICE CENTER #4**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of September 19, 2018 to June 30, 2019)**  
**EDUCATION FUND ACCOUNTS**  
**TITLE II - TEACHER QUALITY - LEADERSHIP GRANT**  
**For the Year Ended June 30, 2019**

|                                 | Budgeted Amounts |               | Actual<br>Amounts |
|---------------------------------|------------------|---------------|-------------------|
|                                 | Original         | Final         |                   |
| Revenues                        |                  |               |                   |
| Federal sources                 | \$ 21,416        | \$ 21,416     | \$ 19,849         |
| Total revenues                  | <u>21,416</u>    | <u>21,416</u> | <u>19,849</u>     |
| Expenditures                    |                  |               |                   |
| Purchased services              | <u>21,416</u>    | <u>21,416</u> | <u>19,849</u>     |
| Total expenditures              | <u>21,416</u>    | <u>21,416</u> | <u>19,849</u>     |
| Net change in fund balance      | <u>\$ -</u>      | <u>\$ -</u>   | -                 |
| Fund balance, beginning of year |                  |               | <u>-</u>          |
| Fund balance, end of year       |                  |               | <u>\$ -</u>       |