

STATE OF ILLINOIS
SOUTH COOK INTERMEDIATE
SERVICE CENTER NO. 4
FINANCIAL AUDIT
(IN ACCORDANCE WITH THE SINGLE AUDIT ACT
AND OMB CIRCULAR A-133)
FOR THE YEAR ENDED JUNE 30, 2013

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4
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OFFICIALS

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Executive Director	(Current and during audit period)	Dr. Vanessa Kinder
Executive Assistant	(Current and during audit period)	Ms. Joani Fadool
Bookkeeper	(Current and during audit period)	Ms. Shelia Ivy

Offices are located at:

253 West Joe Orr Road
Chicago Heights, IL 60411

COMPLIANCE REPORT
SUMMARY

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

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

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
2013-001	11	Controls Over Financial Statement Preparation	Material Weakness

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

N/A

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

N/A

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

N/A

EXIT CONFERENCE

The Center waived having an exit conference per a letter dated February 21, 2014. Responses to the recommendations were provided by Dr. Vanessa Kinder, Executive Director, in a letter dated October 17, 2013.

FINANCIAL STATEMENT
REPORT SUMMARY

The audit of the accompanying basic financial statements of South Cook Intermediate Service Center No. 4 was performed by Bass, Solomon, and Dowell, LLP.

Based on their audit, the auditors expressed an unmodified opinion on the Agency's basic financial statements.

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
South Cook Intermediate Service Center No. 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, each major fund, and the aggregate remaining fund information of the South Cook Intermediate Service Center No. 4, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the South Cook Intermediate Service Center No. 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, each major fund, and the aggregate remaining fund information of the South Cook Intermediate Service Center No. 4, as of June 30, 2013, and the respective changes in financial position 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 Management's Discussion and Analysis, the Illinois Municipal Retirement Fund-Schedule of Funding Progress and the Post Employment Benefits Other than Pensions Schedule of Funding Progress, on pages 16 through 19, page 46, and page 47, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Cook Intermediate Service Center No. 4's basic financial statements. The Budgetary Comparison Schedules and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedules and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2014 on our consideration of the South Cook Intermediate Service Center No. 4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Cook Intermediate Service Center No. 4's internal control over financial reporting and compliance.

Cass, Johnson & O'Neill, LLP

Palatine, Illinois
February 21, 2014

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 William G. Holland
Auditor General
State of Illinois

Board of Directors
South Cook Intermediate Service Center No. 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, each major fund, and the aggregate remaining fund information of the South Cook Intermediate Service Center No. 4, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the South Cook Intermediate Service Center No. 4's basic financial statements and have issued our report thereon dated February 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Cook Intermediate Service Center No. 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 No. 4's internal control. Accordingly, we do not express an opinion on the effectiveness of South Cook Intermediate Service Center No. 4's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Finding and Questioned Costs as item 2013-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Cook Intermediate Service Center No. 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*.

Intermediate Service Center No. 4's Response to Finding

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

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 No. 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 No. 4's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bass, Johnson & O'Neill LLP

Palatine, Illinois
February 21, 2014

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

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
South Cook Intermediate Service Center No. 4

Report on Compliance for Each Major Federal Program

We have audited the South Cook Intermediate Service Center No. 4's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South Cook Intermediate Service Center No. 4's major federal programs for the year ended June 30, 2013. The South Cook Intermediate Service Center No. 4's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the South Cook Intermediate Service Center No. 4's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the South Cook Intermediate Service Center No. 4's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the South Cook Intermediate Service Center No. 4's compliance.

Opinion on Each Major Federal Program

In our opinion, the South Cook Intermediate Service Center No. 4 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of South Cook Intermediate Service Center No. 4 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the South Cook Intermediate Service Center No. 4's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the South Cook Intermediate Service Center No. 4's internal control over compliance.

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

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

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

Bass, Johnson & Howell LLP

Palatine, Illinois
February 21, 2014

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
• Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
• Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
• Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Award:

Internal Control over major programs:		
• Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
• Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

yes X no

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:

\$500,000

Auditee qualified as low-risk auditee?

yes X no

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section II – Financial Statement Findings

Finding No. 2013-001 – Controls Over Financial Statement Preparation
(Repeat of Finding 12-1, 11-1, 10-1, 09-1, and 08-1)

1. *Criteria/specific requirement:*

South Cook Intermediate Service Center No. 4 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). South Cook Intermediate Service Center No. 4's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

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

2. *Condition:*

South Cook Intermediate Service Center No. 4 does not have sufficient internal controls over the financial reporting process. South Cook Intermediate Service Center No. 4 maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While South Cook Intermediate Service Center No. 4 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

During the review of South Cook Intermediate Service Center No. 4's financial information prepared by the Center, the following were noted:

- The South Cook Intermediate Service Center No. 4 did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenue.
- The South Cook Intermediate Service Center No. 4's financial information required material adjusting entries related to the conversion of its financial statements from cash to accrual basis of accounting based on documentation provided by the South Cook Intermediate Service Center in order to present its financial statements in accordance with generally accepted accounting principles. Proposed adjusting entries were approved and accepted by the South Cook Intermediate Service Center No. 4.

3. *Effect:*

South Cook Intermediate Service Center No. 4 management or its employees, in the normal course of performing their assigned functions, may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section II – Financial Statement Findings (Concluded)

Finding No. 2013-001 – Controls Over Financial Statement Preparation
(Repeat of Finding 12-1, 11-1, 10-1, 09-1, and 08-1) (Concluded)

4. *Cause:*

According to South Cook Intermediate Center No. 4 management, they did not have adequate funding to hire and/or train accounting personnel in order to comply with these requirements.

5. *Auditors' Recommendation:*

As part of internal control over the preparation of financial statements, South Cook Intermediate Service Center No. 4 should implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable GAAP, GASB pronouncements, and knowledge of the Intermediate Service Center's activities and operations.

6. *Management's response:*

Like many Illinois governmental agencies and school districts, South Cook Intermediate Service Center No. 4 has seen drastic budget cuts over the past three years. South Cook does not have a Certified Public Accountant (CPA) on staff to prepare financial statements with footnote disclosures. The additional funding spent to employ a CPA would take away from funds that are available to provide educational services to the 66 schools in the region. The Bloom Township Treasurer's Office oversees all financial statement preparation. Management will pursue additional training when it is considered cost beneficial since training costs would take away from the funds available to provide educational services for the schools in the region.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section III – Federal Award Findings

There were no findings for the fiscal year ended June 30, 2013.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4
Corrective Action Plan for Current-Year Audit Finding
Year Ended June 30, 2013

Corrective Action Plan

Finding No. 2013-001 - Controls Over Financial Statement Preparation

Condition:

South Cook Intermediate Service Center No. 4 does not have sufficient internal controls over the financial reporting process. South Cook Intermediate Service Center No. 4 maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While South Cook Intermediate Service Center No. 4 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

During the review of South Cook Intermediate Service Center No. 4's financial information prepared by the Center, the following were noted:

- The South Cook Intermediate Service Center No. 4 did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenue.
- The South Cook Intermediate Service Center No. 4's financial information required material adjusting entries related to the conversion of its financial statements from cash to accrual basis of accounting based on documentation provided by the South Cook Intermediate Service Center in order to present its financial statements in accordance with generally accepted accounting principles. Proposed adjusting entries were approved and accepted by the South Cook Intermediate Service Center No. 4.

Corrective Action Plan:

Like many Illinois governmental agencies and school districts, South Cook Intermediate Service Center No. 4 has seen drastic budget cuts over the past three years. South Cook does not have a Certified Public Accountant (CPA) on staff to prepare financial statements with footnote disclosures. The additional funding spent to employ a CPA would take away from funds that are available to provide educational services to the 66 schools in the region. The Bloom Township Treasurer's Office oversees all financial statement preparation. Management will pursue additional training when it is considered cost beneficial since training costs would take away from the funds available to provide educational services for the schools in the region.

Anticipated Date of Completion:

Not determined.

Name of Contact Person:

Dr. Vanessa Kinder, Executive Director.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
12-1	Controls Over Financial Statement Preparation	Repeated

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Required Supplementary Information Management's Discussion and Analysis Year Ended June 30, 2013

As management of South Cook Intermediate Service Center No. 4, we offer the readers of the financial statements this narrative overview and analysis of the financial activities of South Cook Intermediate Service Center No. 4 for the year ended June 30, 2013.

Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 issued in June 1999. Certain comparative information between the current year (2013) and the prior year (2012) is required to be presented in the MD&A.

MD&A is provided at the beginning of the report to provide an overview of South Cook Intermediate Service Center No. 4's financial position at June 30, 2013 and the results of operations for the year. This summary should not be taken as a replacement for the audit report, which consists of the financial statements, notes to the financial statements, required and other supplementary information.

Using This Financial Report

The financial section of this annual report consists of four parts – Independent Auditor's Reports, required supplementary information which includes the MD&A (this section), the basic financial statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of South Cook Intermediate Service Center No. 4: 1) Government-wide financial statements and 2) fund financial statements.

Government – Wide Financial Statements

The first two statements are government-wide financial statements that provide both short term and long term information about South Cook Intermediate Service Center No. 4's overall financial status, similar to a private sector business. In the government-wide financial statements, activities are shown in one category – governmental activities. South Cook Intermediate Service Center No. 4's basic service is education. These activities are largely financed with local, State and federal revenues.

The Statement of Net Position presents information on all of South Cook Intermediate Service Center No. 4's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of South Cook Intermediate Service Center No. 4 is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. The financial statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when earned; expenditures and liabilities are recognized when incurred.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4
Required Supplementary Information
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2013

Fund Financial Statements

The fund financial statements provide more detailed information about South Cook Intermediate Service Center No. 4's funds – not South Cook Intermediate Service Center No. 4 as a whole. Funds are specific segregations of cash and accounting devices South Cook Intermediate Service Center No. 4 uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law, while others are established to control and manage money for particular purposes or to show that South Cook Intermediate Service Center No. 4 is properly using certain revenues.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for each. By doing so, readers may better understand the long-term impact of South Cook Intermediate Service Center No. 4's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

South Cook Intermediate Service Center No. 4 maintains various governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and the Changes in Fund Balance for these funds. More detail of the individual revenues and expenditures for these funds are presented in the supplementary section of this report.

South Cook Intermediate Service Center No. 4 is not legally required to adopt budgets. South Cook Intermediate Service Center No. 4 is required by the Illinois State Board of Education, the granting agency, to adopt annual budgets for the Education Fund of the governmental funds. A budgetary comparison schedule has been provided as supplementary information for the general, education, and nonmajor special revenue funds, which is in compliance with GASB Statement No. 34.

Condensed Financial Information

Net position is summarized in the table below.

	Condensed Statement of Net Position	
	June 30, 2013	June 30, 2012
Assets:		
Current Assets	\$ 5,491,362	\$ 5,643,509
Capital Assets, net	<u>3,218,313</u>	<u>3,327,593</u>
Total Assets	<u>8,709,675</u>	<u>8,971,102</u>
Deferred Outflows of Resources	<u>-0-</u>	<u>-0-</u>
Liabilities:		
Current Liabilities	403,324	1,068,175
Non-current Liabilities	<u>-0-</u>	<u>-0-</u>
Total Liabilities	<u>403,324</u>	<u>1,068,175</u>
Deferred Inflows of Resources	<u>-0-</u>	<u>-0-</u>
Net Position:		
Invested Capital Assets, net of related debt	3,218,313	3,327,593
Unrestricted	4,153,703	4,784,045
Restricted for educational purposes	<u>934,335</u>	<u>(208,711)</u>
Total Net Position	<u>\$ 8,306,351</u>	<u>\$ 7,902,927</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Required Supplementary Information Management's Discussion and Analysis (Continued) Year Ended June 30, 2013

Condensed Financial Information (continued)

Current assets consist of cash, investments, and accounts receivable-governmental claims. South Cook Intermediate Service Center No. 4's net position consists of unrestricted and restricted net position and invested capital assets net of related debt.

Revenues, expenses, and changes in net position are summarized in the table below.

Changes in Net Position For Fiscal Year Ending:		
	June 30, 2013	June 30, 2012
Revenues received:		
Program:		
Operating grants and contributions	\$ 4,583,424	\$ 4,292,232
General:		
Local sources	1,994,131	1,702,831
On-behalf payments	351,780	412,199
Interest	<u>47,699</u>	<u>73,680</u>
Total revenue received	<u>6,977,034</u>	<u>6,480,942</u>
Expenditures disbursed:		
Instruction	1,097,431	1,155,740
Supporting services	4,758,663	4,885,502
Community services	-0-	-0-
Nonprogrammed charges	365,736	697,970
Debt Service	-0-	-0-
Administrative services:		
On-behalf payments	<u>351,780</u>	<u>412,199</u>
Total expenditures disbursed	<u>6,573,610</u>	<u>7,151,411</u>
Change in net position	403,424	(670,469)
Net position – beginning	<u>7,902,927</u>	<u>8,573,396</u>
Net position – ending	<u>\$ 8,306,351</u>	<u>\$ 7,902,927</u>

Major sources of operating revenues for South Cook Intermediate Service Center No. 4 include: Federal and State grants and intergovernmental revenue.

As shown in the Condensed Changes in Net Position, the cost of government activities for this year was \$6,573,610. Federal and State grants financed 70% of this or \$4,583,424. Local sources were the next largest contributor with \$1,994,131.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Required Supplementary Information

Management's Discussion and Analysis (Concluded)

Year Ended June 30, 2013

Management's Analysis of the ISC's Overall Financial Position and Results of Operations

General Fund revenues increased by \$4,646 (.2%) from \$2,680,819 in FY 2012 to \$2,685,465 in FY 2013. This was mainly due to an increase in Local monies. General Fund's expenditures decreased by \$102,566 (3%) from \$3,446,347 in FY 2012 to \$3,343,781 in FY 2013. Expenditures were lower in FY 2013 compared to FY 2012 due to a decrease in instruction expenditures. Education Fund revenues increased by \$479,171 (16%) from \$3,023,099 in FY 2012 to \$3,502,270 in FY 2013. Overall, revenue was higher due to an increase in federal grants. Expenditures decreased by \$381,330 (14%) from \$2,820,294 in FY 2012 to \$2,438,964 in FY 2013. Salaries, employee benefits, purchased services, supplies and materials for support services decreased compared to fiscal year ended June 30, 2012.

Nonmajor Special Revenue Fund revenues decreased by \$39,315 (10%) from \$405,570 in FY 2012 to \$366,255 in FY 2013. Decrease in revenues were related to reduced fees collected for registration and renewal of teacher certificates and fees charged for teachers and administrators workshops. Expenditures increased by \$1,752 (.5%) from \$328,053 in FY 2012 to \$329,805 in FY 2013. The slight expenditures increase is in line with the Center having to provide the registration and renewal services regardless of the decreased revenue.

Capital assets

During the year ended June 30, 2013, South Cook Intermediate Service Center No. 4 invested monies in various capital assets. Total additions this year were \$63,093. Capital asset additions consisted primarily of the purchase of computers.

Net Position

During the year, net position increased by \$403,424, which is significantly greater than the \$670,469 decrease for fiscal year ended June 30, 2012. Total revenue for fiscal year ended June 30, 2012 was \$6,480,942 and increased by \$496,092 to \$6,977,034 for fiscal year ended June 30, 2013. This was mainly due to an increase in federal grants. Expenses decreased by \$577,801 from \$7,151,411 in fiscal year ended June 30, 2012, to \$6,573,610 in fiscal year ended June 30, 2013. Expenditures were lower in fiscal year 2013 compared to fiscal year 2012 due to a slight decrease in instruction and supporting services. The factors which have contributed to this condition are explained below.

Factors or Conditions Impacting Future Periods

On the revenue side, State grants monies decreased while Federal grant monies increased; local revenue was higher due to the new ROE responsibilities assumed by the Center and an increase in the number of participants enrolled in the various programs offered by South Cook Intermediate Service Center No. 4. The Center expects State and Federal grant monies to be significantly reduced, further increasing pressure to utilize funds in an efficient manner.

On the expenditure side, increases in service demands by growing districts in the educational service region will continue to place increasing pressure on spending.

In summary, this expectation of continued increases in service demand will result in larger response times, reduced array of services, and the need to do more with existing human resources.

Contacting the Intermediate Service Center's Financial Management

This financial report is designed to provide the South Cook Intermediate Service Center No. 4's citizens, taxpayers, clients and other constituents with a general overview of its finances and to demonstrate accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Executive Director of the South Cook Intermediate Service Center No. 4 at 253 West Joe Orr Road, Chicago Heights, IL.

BASIC FINANCIAL STATEMENTS

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Statement of Net Position

June 30, 2013

<u>ASSETS</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 4,850,076
Accounts receivable - governmental claims	641,286
Total current assets	<u>5,491,362</u>
Noncurrent assets:	
Capital Assets, being depreciated, net	<u>3,218,313</u>
Total assets	<u>8,709,675</u>
Deferred outflows of resources	<u>-0-</u>
 <u>LIABILITIES</u> 	
Current Liabilities:	
Due to other governments	-0-
Accounts payable	403,324
Total current liabilities	<u>403,324</u>
Deferred inflows of resources	<u>-0-</u>
 <u>NET POSITION</u> 	
Invested capital assets, net of related debt	3,218,313
Unrestricted	4,153,703
Restricted for educational purposes	934,335
Total net position	<u>\$ 8,306,351</u>

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Statement of Activities Year Ended June 30, 2013

		<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
FUNCTIONS/PROGRAMS			
Primary government:			
Governmental activities:			
Instructional services:			
Instruction	\$ 1,097,431	\$ -	\$ (1,097,431)
Supporting services	4,758,663	3,928,306	(830,357)
Nonprogrammed charges	365,736	655,118	289,382
Administrative:			
On-behalf payments	<u>351,780</u>	<u>-0-</u>	<u>(351,780)</u>
Total governmental activities	<u>\$ 6,573,610</u>	<u>\$ 4,583,424</u>	<u>(1,990,186)</u>
General revenues:			
Local sources			1,994,131
On-behalf payments			351,780
Interest			<u>47,699</u>
Total general revenues, special and extraordinary items, and transfers			<u>2,393,610</u>
Change in net position			403,424
Net position - beginning			<u>7,902,927</u>
Net position - ending			<u>\$ 8,306,351</u>

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

**Balance Sheet
Governmental Funds
June 30, 2013**

<u>ASSETS</u>	<u>General Fund</u>	<u>Education Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Petty cash	\$ 200	\$ -0-	\$ -0-	\$ 200
Cash - Imprest fund	9,029	-0-	-0-	9,029
Cash - Old Second Bank	4,372	-0-	-0-	4,372
Equity in pooled cash and investments	4,735,279	(49,096)	150,292	4,836,475
Due from other governments	78,726	562,560	-0-	641,286
Total assets	4,827,606	513,464	150,292	5,491,362
Deferred outflows of resources	-0-	-0-	-0-	-0-
Total assets and deferred outflows of resources	\$ 4,827,606	\$ 513,464	\$ 150,292	\$ 5,491,362
 <u>LIABILITIES</u>				
Accounts payable	\$ 139,850	\$ 261,855	\$ 1,619	\$ 403,324
Deferred revenue	-0-	23,565	-0-	23,565
Total liabilities	139,850	285,420	1,619	426,889
Deferred inflows of resources	-0-	-0-	-0-	-0-
 <u>FUND BALANCE</u>				
Nonspendable	-0-	-0-	-0-	-0-
Restricted	534,053	228,044	148,673	910,770
Committed	-0-	-0-	-0-	-0-
Assigned	958,365	-0-	-0-	958,365
Unassigned	3,195,338	-0-	-0-	3,195,338
Total fund balance	4,687,756	228,044	148,673	5,064,473
Total liabilities, deferred inflows, and fund balance	\$ 4,827,606	\$ 513,464	\$ 150,292	\$ 5,491,362

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2013

Total fund balance - governmental funds	\$ 5,064,473
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.	3,218,313
Some revenues will not be collected for several months after the Intermediate Service Center No. 4 fiscal year end; they are not considered "available" revenues and are deferred in the governmental funds.	<u>23,565</u>
Net position of governmental activities	<u><u>\$ 8,306,351</u></u>

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2013

	<u>General Fund</u>	<u>Education Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
Local Sources	\$ 1,438,189	\$ 189,687	\$ 366,255	\$ 1,994,131
State Sources	1,247,276	231,581	-0-	1,478,857
Federal Sources	-0-	3,081,002	-0-	3,081,002
Total Direct Revenues	<u>2,685,465</u>	<u>3,502,270</u>	<u>366,255</u>	<u>6,553,990</u>
On-behalf Payments	<u>351,780</u>	<u>-0-</u>	<u>-0-</u>	<u>351,780</u>
Total Revenues	<u>3,037,245</u>	<u>3,502,270</u>	<u>366,255</u>	<u>6,905,770</u>
<u>EXPENDITURES</u>				
Instruction	1,097,431	-0-	-0-	1,097,431
Support Services	2,246,350	2,154,567	248,466	4,649,383
Community Services	-0-	-0-	-0-	-0-
Nonprogrammed Charges	-0-	284,397	81,339	365,736
Total Direct Expenditures	<u>3,343,781</u>	<u>2,438,964</u>	<u>329,805</u>	<u>6,112,550</u>
On-behalf Payments	<u>351,780</u>	<u>-0-</u>	<u>-0-</u>	<u>351,780</u>
Total Expenditures	<u>3,695,561</u>	<u>2,438,964</u>	<u>329,805</u>	<u>6,464,330</u>
<u>OTHER FINANCING SOURCES/(USES)</u>				
Interest	<u>47,699</u>	<u>-0-</u>	<u>-0-</u>	<u>47,699</u>
Total other financing sources	<u>47,699</u>	<u>-0-</u>	<u>-0-</u>	<u>47,699</u>
Net Change in Fund Balance	(610,617)	1,063,306	36,450	489,139
Fund Balance, July 1, 2012	<u>5,298,373</u>	<u>(835,262)</u>	<u>112,223</u>	<u>4,575,334</u>
Fund Balance, June 30, 2013	<u>\$ 4,687,756</u>	<u>\$ 228,044</u>	<u>\$ 148,673</u>	<u>\$ 5,064,473</u>

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities**

Governmental Funds

Year Ended June 30, 2013

Net change in fund balances \$ 489,139

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	\$ 63,093	
Depreciation expense	<u>(172,373)</u>	
Net adjustment		(109,280)

Loss on disposal of capital assets -0-

Some revenues will not be collected for several months after
the Intermediate Service Center No. 4 fiscal year end; they are not
considered "available" revenues and are deferred in the governmental funds.

23,565

Change in net position of governmental activities \$ 403,424

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

That portion of Cook County outside of the City of Chicago will constitute a Regional Office of Education (105 ILCS 5/3A-1) and its oversight board shall be responsible for the duties and programs specified in Section 3A-17 of the Illinois School Code and be administered through three (3) Intermediate Service Centers (North Cook, West Cook and South Cook).

South Cook now known as South Cook Intermediate Service Center No. 4, includes the area within the territorial boundaries of the following school districts:

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

South Cook Intermediate Service Center No. 4 is governed by an eleven member board. The administrative agent designated for this Center is Chicago Heights, School District 170.

In accordance with the Illinois School Code (105 ILCS 2/3.62) the services to be made available shall include the planning, implementation and evaluation of the following:

- Education for Gifted Children;
- Computer Technology Education;
- Mathematics, Science and Reading Resources for teachers, including continuing education, in-service training, and staff development.; and
- Teacher Certification.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

South Cook Intermediate Service Center No. 4 (also referred to herein as “Center”) 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 No. 4.

A. Reporting Entity:

South Cook Intermediate Service Center No. 4 provides educational services to sixty-six member school districts and is governed by the Governing Board. Operations are conducted through one of its member districts which acts as its administrative agent.

These financial statements include South Cook Intermediate Service Center No. 4 and its component units, entities for which it is considered financially accountable. As defined by GASB Statement 14, “*The Financial Reporting Entity*”, South Cook Intermediate Service Center No. 4 is not financially accountable for any other entity nor are there any other entities for which the nature and significance of their relationship with South Cook Intermediate Service Center No. 4 are such that exclusion would cause South Cook Intermediate Service Center No. 4’s financial statements to be misleading or incomplete.

Based upon the above criteria, Intermediate Service Center No. 4 is not aware of any entity which would be financially accountable for Intermediate Service Center No. 4, which would result in Intermediate Service Center No. 4 being considered a component entity.

B. Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Intermediate Service Center. These basic 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 the related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues. Under the terms of grant agreements, South Cook Intermediate Service Center No. 4 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is the policy of South Cook Intermediate Service Center No. 4 to first apply restricted fund balances, then unrestricted. For unrestricted fund balances, committed fund balances are used first, then assigned fund balances, then unassigned, if any.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Statement of Net Position presents information on all of South Cook Intermediate Service Center No. 4's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of South Cook Intermediate Service Center No. 4 is improving or deteriorating. The net position of the Intermediate Service Center is classified as follows:

Invested in Capital Assets – represents the Intermediate Service Center's total investment in capital assets. There is no outstanding debt related to these assets.

Unrestricted Net Position – represents resources used for transactions relating to the general operations of the Intermediate Service Center and may be used at the discretion of management to meet expenses for any purpose.

Restricted Net Position – Consists of net position with constraints placed on its use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

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

As a general rule, the effect of inter-fund activities has been eliminated in the government-wide financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation:

The accounts of South Cook Intermediate Service Center No. 4 are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose 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.

Governmental funds are used to account for general governmental activities. The governmental fund uses the flow of current financial resources measurement focus and the modified accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "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. Revenues received more than 60 days after the end of the current period are deferred 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.

State and federal aid and interest on investments are susceptible to accrual. Other receipts become measurable and available when cash is received and are recognized as revenue at that time.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued):

Governmental funds are those which most governmental functions typically are reported. Governmental fund 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 liabilities is reported as fund balance.

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a two-step process for determining if a fund should be reported as a major fund: 1) total assets, liabilities, 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, liabilities, revenues, or expenditure/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. South Cook Intermediate Service Center No. 4 has presented all major funds that met the above qualifications.

Program revenues include 1) charges for services and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function.

South Cook Intermediate Service Center No. 4 reports the following major governmental funds:

The Education 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.

The following programs are included in the Education Fund:

Title I – School Improvement and Accountability: This program provides direct technical assistance to schools and districts in academic status. The program provides funds to put school support teams (educational advisors) in each school in academic trouble.

Title II – Teacher Quality – Leadership Grant: This program provides professional development for teachers in schools that are in academic early warning status. This program provides funding to help offset the cost of training teachers.

ARRA Education Jobs Fund: The objective of this program is to assist local educational agencies (LEAs) in saving or creating education jobs.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued):

I.S.C. Operations: Program monies for Center administrative operations. Funding is used to keep offices open in order to provide professional development to teachers in the area.

South Cook Math Initiative: A partnership among 22 south Cook County districts to improve the teaching and learning of mathematics in grades six through nine.

Youth Service of America: Educates youth, teachers, community organizations, media, and public officials in the power of youth as problem solvers. In addition, engages children and youth as volunteers, as academic achievers, and as community leaders.

Illinois New Principal Mentoring Program: Provides new principals with the individualized mentoring support they need to successfully transition into effective educational leaders.

ComEd Spelling Bee: South Cook Intermediate Service Center No. 4 and Commonwealth Edison are in a joint partnership to sponsor the Annual and Regional Scripps Spelling Bees for the three Intermediate Service Centers (ISCs); South Cook, North Cook and West 40. Any school district within the service areas of the ISCs can participate in the Annual and Regional Scripps Spelling Bee events provided it has registered and enrolled with the Scripps National Spelling Bee Headquarters.

Children's Mental Health Partnership: The Children's Mental Health Partnership (CMHP) is committed to improving the scope, quality and access of mental health programs, services and support for Illinois children.

The General Fund is the operating fund of South Cook Intermediate Service Center No. 4. It is used to account for all financial resources within the territorial boundaries of the Center, except those required to be accounted and reported for in another fund. General Funds include the following:

Regional Safe Schools Program: Alternative program created through State legislation for students in grades 6 through 12 that have multiple suspensions or that have been expelled from their district. Eligible students are administratively transferred from their district into this program.

General State Aid: This program is for students placed in Regional Safe Schools. Districts give up their General State Aid claim for the students while placed in the Regional Safe Schools program.

Local Services: These are revenues and expenditures associated with workshops conducted by South Cook Intermediate Service Center No. 4.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (concluded):

Nonmajor Special Revenue Funds are used to account for and report the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are restricted to expenditures for specified purposes. This fund includes the following:

Institute: This fund accounts for fees collected for the registration and renewal of teaching certificates. These fees are used to defray administrative expenses incidental to teachers' institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers or to defray the expense of any general or special meeting of teachers or school personnel. All funds generated remain restricted until expended only on the aforementioned activities.

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

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

Restricted Fund Balance – the portion of a Governmental Fund's fund balance that is subject to external enforceable legal restrictions. The following account fund balances are restricted by grant agreements or contracts: Regional Safe Schools, Teacher Certification, South Cook Math Initiative, Illinois New Principal Mentoring Program, Youth Service of America, ROE/ISC Operations, ComEd Spelling Bee, Children's Mental Health Partnership, Title II – Teacher Quality – Leadership Grant, and Title I - School Improvement and Accountability. The following funds are restricted by Illinois Statute: Institute.

Committed Fund Balance – the portion of a Governmental Fund's fund balance with self-imposed constraints or limitations that have been placed at the highest level of decision making. There are no accounts presenting a committed fund balance.

Assigned Fund Balance – the portion of a Governmental Fund's fund balance to denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Executive Director. The following accounts comprised the assigned fund balance: Tuition monies for alternative schools and General State Aid.

Unassigned Fund Balance – available expendable financial resources in a governmental fund that are not designated for a specific purpose. The unassigned fund is made up of the General Operations account.

D. Assets, Liabilities and Equity:

Deposits and Investments

Cash and investments are in the custody of the Bloom Township School Treasurer, except for petty cash and imprest funds which are in the custody of South Cook Intermediate Service Center No. 4.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Equity (continued):

The Treasurer maintains one bank account, records transactions of the general, education, and nonmajor special revenue funds and invests any excess cash. These investments are made in the name of the Treasurer. The Treasurer also, at times, pools the funds with other districts under his control. A portion of the pool is reported on the combined balance sheet as "Equity in Pooled Cash and Investments".

The Illinois statutes authorize the Treasurer, on South Cook Intermediate Service Center No. 4's behalf, to invest in U.S. Government, State of Illinois and municipal securities; certificates of deposit or time savings deposits insured by the FDIC; mortgage notes, bonds or debentures issued by the Federal Housing Administration; bonds and other obligations of the Federal National Mortgage Association; and certain short-term obligations of U.S. corporations.

In the selection of the authorized investment vehicles, deposits in any one financial institution shall not exceed 75% of the capital surplus/net worth of the institution as required by the School Code. Investments are stated at fair value.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets used in governmental fund types are recorded in the government-wide financial statements at cost or estimated historical cost if purchased or constructed. South Cook Intermediate Service Center No. 4's threshold for capitalizing fixed assets are those with a cost of \$5,000 or more. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All capital assets are being depreciated using the straight-line method over the following useful life:

Furniture & Equipment	5 - 15 years
Buildings	40 years

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

Long-Term Obligations

Long-term debt of the governmental fund is reported at face value in the government-wide financial statements.

Estimates

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information:

Although the operating budget was reviewed, South Cook Intermediate Service Center No. 4 did not formally adopt a budget for the year ended June 30, 2013 and is not legally required to do so.

However, the Illinois State Board of Education requires budgets for certain State and Federal programs. These budgets were used to prepare the Budgetary Comparison Schedule of the Education, General, and Nonmajor Special Revenue Funds.

The budget is prepared on the modified accrual basis of accounting for the governmental fund type which is an acceptable method as prescribed by the Illinois Compiled Statutes and is the same basis that is used for financial reporting. This allows for comparability between budget and actual amounts.

Federal grants administered that have budgets are as follows: Title I – School Improvement Accountability, ARRA Education Jobs Fund, and Title II – Teacher Quality – Leadership Grant.

State grants administered that have budgets are as follows: I.S.C. Operations, Children’s Mental Health Partnership, General State Aid, Regional Safe Schools and Illinois New Principal Mentoring Program. Local sources administered that have budgets are as follows: Youth Service of America, ComEd Spelling Bee, and South Cook Math Initiative.

Budget appropriations lapse at the end of each fiscal year. South Cook Intermediate Service Center No. 4 does not utilize an encumbrance system. These procedures are followed in establishing the budgetary data reflected in the financial statements.

- The Executive Director submits to the Governing Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- Prior to October 1, the budget is reviewed through the passage of a resolution.
- The Executive Director is authorized to transfer up to 10% of the total budget between various items within the fund; however, any revisions that alter the total expenditures of the general fund must be approved by the Governing Board.
- Formal Budgetary integration is employed as a management control device during the year.
- The Governing Board may amend the budget (in other ways) by the same procedures required of its original budget.

The reported budgetary data represents the original budget as reviewed.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

3. CASH AND INVESTMENTS

Cash balances are at several financial institutions. All bank balances as of June 30, 2013 are entirely insured by the Federal Deposit Insurance Corporation.

June 30, 2013 cash and investment balances consisted of the following:

	<u>Carrying Value/ Fair Value</u>	<u>Cost</u>
Petty Cash	\$ 200	\$ 200
Cash Deposits	13,401	13,401
Investments not subject to categorization:		
Equity in pooled cash and investments of the Bloom Township School Treasurer	<u>4,836,475</u>	<u>4,836,475</u>
	<u>\$ 4,850,076</u>	<u>\$ 4,850,076</u>

Credit Risk. Credit risk is the risk of loss due to the failure of the security issuer or backer. The Trustees of Schools will minimize credit risk by:

- Limiting investments to the safest types of securities/financial instruments;
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Trustees of Schools will do business; and
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

As of June 30, 2013, the credit ratings by Moody's or Standard and Poor's were A, AA, and AAA which are all average credit quality.

Interest Rate Risk. The Trustees of Schools will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Structuring the investment portfolio so that a significant portion of the securities either meet cash requirements for ongoing operations or have active secondary or resale markets; and
- Investment operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 consisted of the following:

Title I – School Improvement & Accountability	\$ 462,068
Title II – Teacher Quality – Leadership Grant	36,260
ROE/ISC Operations	17,511
Regional Safe Schools	78,726
Intermediate Service Center No. 2	<u>46,721</u>
	<u>\$ 641,286</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

5. CAPITAL ASSETS

The governmental activities capital assets activity for the year ended June 30, 2013 is as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Cost:				
Equipment	\$ 1,936,374	\$ 63,093	\$ 78,339	\$ 1,921,128
Buildings	<u>4,098,295</u>	<u>-0-</u>	<u>-0-</u>	<u>4,098,295</u>
	<u>\$ 6,034,669</u>	<u>\$ 63,093</u>	<u>\$ 78,339</u>	<u>\$ 6,019,423</u>
 Accumulated Depreciation:				
Equipment	\$ 1,550,075	\$ 69,886	\$ 78,339	\$ 1,541,622
Buildings	<u>1,157,001</u>	<u>102,487</u>	<u>-0-</u>	<u>1,259,488</u>
	<u>\$ 2,707,076</u>	<u>\$ 172,373</u>	<u>\$ 78,339</u>	<u>\$ 2,801,110</u>
 Total Capital Assets, Net				
Equipment	\$ 386,299	\$ (6,793)	\$ -0-	\$ 379,506
Buildings	<u>2,941,294</u>	<u>(102,487)</u>	<u>-0-</u>	<u>2,838,807</u>
	<u>\$ 3,327,593</u>	<u>\$ (109,280)</u>	<u>\$ -0-</u>	<u>\$ 3,218,313</u>

Depreciation expense was charged to governmental functions as follows:

Support Services	\$ <u>172,373</u>
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6. OTHER INFORMATION

A. Risk Management:

South Cook Intermediate Service Center No. 4 is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and workers' compensation for which commercial insurance is carried. The amount of coverage has not decreased nor have the amount of settlements exceeded coverage in the current year or any of the past three years.

B. Employee Retirement Systems and Plans:

Teachers' Retirement System of the State of Illinois

South Cook Intermediate Service Center No. 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.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

6. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Plans (continued):

Teachers' Retirement System of the State of Illinois (continued)

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 State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the System's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2013 was 9.4 percent of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889.

These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2012 and 2011.

The State of Illinois makes contributions directly to TRS on behalf of South Cook Intermediate Service Center No. 4's TRS covered employees.

- *On-behalf contributions.* The State of Illinois makes employer pension contributions on behalf of South Cook Intermediate Service Center No. 4. For the year ended June 30, 2013, State of Illinois contributions were based on 28.05 percent of creditable earnings not paid from federal funds, and the Center recognized revenue and expenditures of \$340,609 in pension contributions that the State of Illinois paid directly to TRS.

For the years ended June 30, 2012 and June 30, 2011, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 24.91 percent (\$398,134) and 23.10 percent (\$360,266), respectively.

South Cook Intermediate Service Center No. 4 makes other types of employer contributions directly to TRS.

- *2.2 formula contributions.* Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2013 were \$8,183. Contributions for the years ending June 30, 2012, and June 30, 2011, were \$9,270 and \$9,046, respectively.
- *Federal and special trust fund contributions.* When TRS members are paid from federal and special trust funds administered by South Cook Intermediate Service Center No. 4, there is a statutory requirement for the Center to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

6. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Plans (continued):

Teachers' Retirement System of the State of Illinois (continued)

For the year ended June 30, 2013, the employer pension contribution was 28.05 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2012 and June 30, 2011, the employer contributions were 24.91 percent and 23.10 percent of salaries paid from federal and special trust funds, respectively.

For the year ended June 30, 2013, salaries totaling \$196,652 were paid from federal and special trust funds that required employer contributions of \$55,161. For the years ended June 30, 2012 and June 30, 2011, required contributions were \$37,425 and \$33,865, respectively.

- *Early Retirement Option.* South Cook Intermediate Service Center No. 4 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member.

The maximum employer ERO contribution is 117.5 percent and applies when the member is age 55 at retirement.

For the year ended June 30, 2013, the Center paid \$-0- to TRS for employer contributions under the ERO program. For the years ended June 30, 2012 and June 30, 2011, the Center paid \$-0- in employer ERO contributions.

- *Salary increases over 6 percent and excess sick leave.* If an employer grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases of up to 6 percent.

For the year ended June 30, 2013, the Center paid \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2012 and June 30, 2011, the Center paid \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent, respectively.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary rate reported by the granting employer during the four-year sick leave review period, and the TRS total normal cost rate (17.63 percent of salary during the year ended June 30, 2013).

For the year ended June 30, 2013, the Center paid \$-0- to TRS for sick leave days granted in excess of the normal annual allotment. For the years ended June 30, 2012 and June 30, 2011, the Center paid \$-0- in employer contributions granted for sick leave days, respectively.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

6. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Plans (continued):

Teachers' Retirement System of the State of Illinois (concluded)

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2012. The report for the year ended June 30, 2013, is expected to be available in late 2013. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, 2815 West Washington Street, P.O. Box 19253, Springfield, Illinois 62794-9253. The most current report is also available on the TRS Web site at <http://trs.illinois.gov>.

Illinois Municipal Retirement Fund

Plan Description

South Cook Intermediate Service Center No. 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 plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. 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 financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy

As set by statute, South Cook Intermediate Service Center No. 4's regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2012 was 11.83 percent. South Cook Intermediate Service Center No. 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

The required contribution for calendar year 2012 was \$115,008.

Three-Year Trend Information for the Regular Plan

Calendar Year Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$ 115,008	100%	\$0
12/31/11	\$ 110,798	100%	\$0
12/31/10	\$ 94,316	100%	\$0

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

6. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Plans (concluded):

Illinois Municipal Retirement Fund (concluded)

The required contribution for 2012 was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of South Cook Intermediate Service Center No. 4's regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. South Cook Intermediate Service Center No. 4's regular plan's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 10 year basis.

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 76.27 percent funded. The actuarial accrued liability for benefits was \$1,528,441 and the actuarial value of assets was \$1,165,812, resulting in an underfunded accrued liability (UAAL) of \$362,629. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$972,175 and the ratio of the UAAL to the covered payroll was 37 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

C. Postemployment Benefits other than Pensions:

Plan Description and Actuarial Valuation

In addition to providing the pension benefits described, South Cook Intermediate Service Center No. 4 provides postemployment health care benefits (OPEB) for retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the Intermediate Service Center No. 4 and can be amended by board approval. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

For financial statement purposes, an actuarial valuation is required at least biennially for OPEB plans with a total membership (including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits) of 200 or more, or at least triennially for plans with a total membership of fewer than 200. As a result of these requirements, South Cook Intermediate Service Center No. 4 was required to have an actuarial valuation for the year ended June 30, 2013. July 1, 2012 was the most recent actuarial valuation of South Cook Intermediate Service Center No. 4's plan. The results of this latest actuarial valuation are described below.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

6. OTHER INFORMATION (continued)

C. Postemployment Benefits other than Pensions (continued):

Benefits Provided

The Intermediate Service Center No. 4 provides continued health insurance coverage at the blended employer rate to all eligible retirees in accordance with Illinois Compiled Statutes, which creates an implicit subsidy of retiree health insurance.

To be eligible for benefits, an employee must qualify for retirement under the Intermediate Service Center No. 4 retirement plan. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree is no longer eligible to participate in the plan, but can purchase a Medicare supplement plan from the Intermediate Service Center No. 4 insurance provider.

Membership

At June 30, 2013 membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	-
Terminated Employees Entitled to Benefits but not yet Receiving Them	-
Active Vested Employees	5
Active Nonvested Employees	-
	<hr/>
TOTAL	5
	<hr/> <hr/>
Participating Employers	1
	<hr/> <hr/>

Funding Policy

The Intermediate Service Center No. 4 is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

The Intermediate Service Center No. 4 had an actuarial valuation performed for the plan as of July 1, 2012 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended June 30, 2013.

Annual OPEB Costs and Net OPEB Obligation

The Intermediate Service Center No. 4's annual OPEB cost (expense) was \$21,997. The Intermediate Service Center No. 4's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2013 was as follows:

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

6. OTHER INFORMATION (continued)

C. Postemployment Benefits other than Pensions (continued):

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

The net OPEB obligation as of July 1, 2012, was calculated as follows:

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

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2012, was as follows:

Actuarial Accrued Liability (AAL)	\$ 170,072
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	170,072
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Plan Members)	\$ 540,104
UAAL as a Percentage of Covered Payroll	31.49%

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

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

6. OTHER INFORMATION (continued)

C. Postemployment Benefits other than Pensions (continued):

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the unit credit cost method was selected to value liabilities. The actuarial assumptions included a discount rate of 5.00% and an initial healthcare cost trend rate of 8.00% with a 5.00% increase for later years. Both rates include a 2.00% inflation assumption.

The actuarial value of assets was not determined as the Intermediate Service Center No. 4 has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized using a level dollar method. The remaining amortization period at July 1, 2012 was 30 years. South Cook Intermediate Service Center No. 4 has not recorded a post-employment benefit liability as of June 30, 2013 of \$30,040.

Teacher Health Insurance Security Fund

South Cook Intermediate Service Center No. 4 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multi-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants may participate in the state administered participating provider option plan or choose from several managed care options.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to the TRS who are not employees of the state make contributions to THIS Fund. The percentage of employer required contributions in the future will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

On behalf contributions to THIS Fund

The State of Illinois makes employer retiree health insurance contributions on behalf of South Cook Intermediate Service Center No. 4. State contributions are intended to match contributions to THIS Fund from active members which were 0.92 percent of pay during the year ended June 30, 2013. State of Illinois contributions were \$11,171, and South Cook Intermediate Service Center No. 4 recognized revenue and expenditures of this amount during the year.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

6. OTHER INFORMATION (continued)

C. Postemployment Benefits other than Pensions (concluded):

State contributions intended to match active member contributions during the years ended June 30, 2012 and June 30, 2011 were 0.88 percent of pay. State contributions on behalf of South Cook Intermediate Service Center No. 4's employees were \$14,065 and \$13,724, respectively.

Employer Contributions to THIS Fund

South Cook Intermediate Service Center No. 4 also makes contributions to THIS Fund. The Center THIS Fund contribution was 0.69 percent during the year ended June 30, 2013 and 0.66 percent during the years ended June 30, 2012 and June 30, 2011. For the year ended June 30, 2013, South Cook Intermediate Service Center No. 4 paid \$9,736 to the THIS Fund. For the years ended June 30, 2012 and June 30, 2011, the Center paid \$10,549 and \$10,293 to the THIS Fund, respectively, which was 100 percent of the required contribution.

Further information on THIS Fund

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The 2013 report is listed under "Central Management Services." Prior reports are available under "Healthcare and Family Services."

7. ON-BEHALF CONTRIBUTIONS

The State of Illinois paid the following retirement and other postemployment benefits on-behalf of South Cook Intermediate Service Center No. 4:

TRS Pension Contribution	\$ 340,609
Teachers' Health Insurance Security	11,171
	<u>\$ 351,780</u>

These amounts have been recorded in the accompanying financial statements as State revenue and expenditures.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

8. NEW ACCOUNTING PRONOUNCEMENTS

Effective for the year ending June 30, 2013, the Center adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. There was no significant impact on the Center's financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2013, the Center adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. There was no significant impact on the Center's financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2013, the Center adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. There was no significant impact on the Center's financial statements as a result of adopting this statement.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to Basic Financial Statements

June 30, 2013

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 21, 2014, the date on which the financial statements were available to be issued.

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

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4
Illinois Municipal Retirement Fund – Schedule of Funding Progress
(Unaudited)
June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability -Entry Age (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/12	\$1,165,812	\$1,528,441	\$362,629	76.27%	\$972,175	37.30%
12/31/11	1,074,763	1,410,733	335,970	76.18%	950,242	35.36%
12/31/10	996,388	1,295,011	298,623	76.94%	906,011	32.96%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$1,206,291. On a market basis, the funded ratio would be 78.92%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with Intermediate Service Center No. 4. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4
Post Employment Benefits Other than Pensions – Schedule of Funding Progress
(Unaudited)
June 30, 2013

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability -Unit Credit	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a) / (b)	(c)	[(b)-(a)] / (c)
06/30/10	\$0	\$59,133	\$59,133	0.00%	N/A	0.00%
06/30/13	\$0	\$170,072	\$170,072	0.00%	\$540,104	31.49%

OTHER SUPPLEMENTARY INFORMATION

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Local Sources			
Services Provided Other LEA's	<u>\$ 1,410,270</u>	<u>\$ 1,438,189</u>	<u>\$ 27,919</u>
Total Local Sources	<u>1,410,270</u>	<u>1,438,189</u>	<u>27,919</u>
State Sources			
General State Aid	884,870	853,639	(31,231)
Regional Safe Schools Program	<u>393,637</u>	<u>393,637</u>	<u>-0-</u>
Total State Sources	<u>1,278,507</u>	<u>1,247,276</u>	<u>(31,231)</u>
Total Direct Revenues	<u>2,688,777</u>	<u>2,685,465</u>	<u>(3,312)</u>
On-behalf Payments	<u>-0-</u>	<u>351,780</u>	<u>351,780</u>
Total Revenues	<u>2,688,777</u>	<u>3,037,245</u>	<u>348,468</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended June 30, 2013

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Instruction			
Salaries	1,059,972	909,558	150,414
Employee Benefits	174,210	151,394	22,816
Purchased Services	-0-	-0-	-0-
Supplies and Materials	7,300	36,479	(29,179)
Total Instruction	<u>1,241,482</u>	<u>1,097,431</u>	<u>144,051</u>
Support Services			
Instructional Staff			
Guidance Services			
Salaries	120,583	118,783	1,800
Employee Benefits	38,998	37,980	1,018
Improvement of Instruction Services			
Salaries	79,315	88,066	(8,751)
Employee Benefits	33,163	33,781	(618)
Purchased Services	135,662	104,669	30,993
Supplies and Materials	16,800	(3,997)	20,797
Total Instructional Staff	<u>424,521</u>	<u>379,282</u>	<u>45,239</u>
General Administration			
Executive Administration Services			
Salaries	159,462	173,116	(13,654)
Employee Benefits	61,513	48,695	12,818
Purchased Services	123,850	122,260	1,590
Supplies and Materials	12,800	5,636	7,164
Capital Outlay	-0-	-0-	-0-
Other Objects	8,500	10,209	(1,709)
Office of Principal Services			
Salaries	457,410	468,500	(11,090)
Employee Benefits	105,958	105,882	76
Purchased Services	18,100	18,266	(166)
Supplies and Materials	-0-	-0-	-0-
Equipment	5,000	6,000	(1,000)
Other Objects	-0-	325	(325)
Total General Administration	<u>952,593</u>	<u>958,889</u>	<u>(6,296)</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended June 30, 2013

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Business			
Direction of Business Support Services			
Salaries	32,667	30,155	2,512
Employee Benefits	17,724	15,568	2,156
Operation and Maintenance of Plant Services			
Salaries	197,247	186,481	10,766
Employee Benefits	23,566	21,156	2,410
Purchased Services	174,300	222,914	(48,614)
Supplies and Materials	75,903	66,952	8,951
Capital Outlay	-0-	2,520	(2,520)
Pupil Transportation			
Purchased Services	3,086	2,377	709
Food Services			
Purchased Services	10,000	15,164	(5,164)
Data Processing Services			
Salaries	201,125	167,772	33,353
Employee Benefits	47,627	37,098	10,529
Purchased Services	-0-	2,457	(2,457)
Supplies and Materials	-0-	32,320	(32,320)
Capital Outlay	-0-	105,245	(105,245)
Purchased Services	-0-	-0-	-0-
Total Business	<u>783,245</u>	<u>908,179</u>	<u>(124,934)</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>EXPENDITURES</u>			
Other Support Services			
Employee Benefits	-0-	-0-	-0-
Supplies and Materials	-0-	-0-	-0-
Total Other Support Services	-0-	-0-	-0-
Total Support Services	2,160,359	2,246,350	(85,991)
Nonprogrammed Charges			
Other Payments to In-State Government Units			
Purchased Services	-0-	-0-	-0-
Total Direct Expenditures	3,401,841	3,343,781	58,060
On-behalf Payments	-0-	351,780	(351,780)
Total Expenditures	3,401,841	3,695,561	(293,720)
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (713,064)</u>	(658,316)	<u>\$ 54,748</u>
<u>OTHER FINANCING SOURCES/(USES)</u>			
Interest		\$ 47,699	
Total other financing sources		47,699	
Net change in fund balances		(610,617)	
Fund Balance, July 1, 2012		5,298,373	
Fund Balance, June 30, 2013		<u>\$ 4,687,756</u>	

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Budgetary Comparison Schedule

Education Fund

Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Local Sources			
ComEd Spelling Bee	\$ 12,000	\$ 13,196	\$ 1,196
Youth Service of America	7,000	2,000	(5,000)
South Cook Math Initiative	243,750	174,491	(69,259)
Total Local Sources	<u>262,750</u>	<u>189,687</u>	<u>(73,063)</u>
State Sources			
Illinois New Principal Mentoring	24,250	-0-	(24,250)
Children's Mental Health Partnership	29,500	21,625	(7,875)
I.S.C. Operations	209,956	209,956	-0-
Total State Sources	<u>263,706</u>	<u>231,581</u>	<u>(32,125)</u>
Federal Sources			
Title II - Teacher Quality - Leadership Grant	104,459	36,037	(68,422)
ARRA Education Jobs Fund	92,596	1,392	(91,204)
Title I - School Improvement and Accountability	1,889,258	3,043,573	1,154,315
Total Federal Sources	<u>2,086,313</u>	<u>3,081,002</u>	<u>994,689</u>
Total Direct Revenues	<u>2,612,769</u>	<u>3,502,270</u>	<u>889,501</u>
On-behalf Payments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Revenues	<u>2,612,769</u>	<u>3,502,270</u>	<u>889,501</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Budgetary Comparison Schedule

Education Fund (Continued)

Year Ended June 30, 2013

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Support Services			
Instructional Staff			
Guidance Services			
Salaries	-0-	4,373	(4,373)
Employee Benefits	-0-	756	(756)
Improvement of Instruction Services			
Salaries	1,114,719	1,094,412	20,307
Employee Benefits	200,155	213,944	(13,789)
Purchased Services	611,416	540,219	71,197
Supplies and Materials	67,413	80,404	(12,991)
Capital Outlay	20,000	39,009	(19,009)
Total Instructional Staff	<u>2,013,703</u>	<u>1,973,117</u>	<u>40,586</u>
General Administration			
Executive Administration Services			
Salaries	40,000	53,484	(13,484)
Employee Benefits	580	580	-0-
Purchased Services	85,493	34,900	50,593
Supplies and Materials	800	188	612
Office of Principal Services			
Salaries	-0-	7,289	(7,289)
Total General Administration	<u>126,873</u>	<u>96,441</u>	<u>30,432</u>
Business			
Operation and Maintenance of			
Plant Services			
Salaries	4,540	10,305	(5,765)
Employee Benefits	881	1,021	(140)
Purchased Services	7,934	-0-	7,934
Pupil Transportation			
Purchased Services	1,400	-0-	1,400
Data Processing Services			
Salaries	-0-	11,298	(11,298)
Total Business	<u>14,755</u>	<u>22,624</u>	<u>(7,869)</u>

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Budgetary Comparison Schedule

Education Fund (Continued)

Year Ended June 30, 2013

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other Support Services			
Salaries	25,000	25,000	-0-
Employee Benefits	-0-	-0-	-0-
Purchased Services	37,385	37,385	-0-
Total Other Support Services	62,385	62,385	-0-
Total Support Services	2,217,716	2,154,567	63,149
Nonprogrammed Charges			
Other Payments to In-State Government Units			
Purchased Services	270,407	284,397	(13,990)
Other Objects	-0-	-0-	-0-
Total Nonprogrammed Charges	270,407	284,397	(13,990)
Total Direct Expenditures	2,488,123	2,438,964	49,159
On-behalf Payments	-0-	-0-	-0-
Total Expenditures	2,488,123	2,438,964	49,159
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 124,646</u>	1,063,306	<u>\$ 938,660</u>
Fund Balance, July 1, 2012		<u>(835,262)</u>	
Fund Balance, June 30, 2013		<u>\$ 228,044</u>	

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Budgetary Comparison Schedule

Nonmajor Special Revenue Fund

Year Ended June 30, 2013

<u>REVENUES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Local Sources			
Institute	\$ 327,872	\$ 366,255	\$ 38,383
Total Local Sources	<u>327,872</u>	<u>366,255</u>	<u>38,383</u>
Total Direct Revenues	<u>327,872</u>	<u>366,255</u>	<u>38,383</u>
On-behalf Payments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Revenues	<u>327,872</u>	<u>366,255</u>	<u>38,383</u>
 <u>EXPENDITURES</u>			
Support Services			
Instructional Staff			
Improvement of Instruction Services			
Salaries	86,908	107,613	(20,705)
Employee Benefits	44,812	43,672	1,140
Purchased Services	2,500	1,571	929
Supplies and Materials	<u>2,000</u>	<u>55</u>	<u>1,945</u>
Total Instructional Staff	<u>136,220</u>	<u>152,911</u>	<u>(16,691)</u>
Business			
Operation and Maintenance of Plant Services			
Salaries	4,439	6,000	(1,561)
Employee Benefits	1,571	87	1,484
Purchased Services	54,590	48,624	5,966
Supplies and Materials	1,400	-0-	1,400
Data Processing Services			
Salaries	-0-	6,990	(6,990)
Employee Benefits	-0-	1,426	(1,426)
Purchased Services	-0-	31,925	(31,925)
Supplies and Materials	<u>-0-</u>	<u>503</u>	<u>(503)</u>
Total Business	<u>62,000</u>	<u>95,555</u>	<u>(33,555)</u>
Total Support Services	<u>198,220</u>	<u>248,466</u>	<u>(50,246)</u>
Nonprogrammed Charges			
Other Payments to In-State Government Units			
Other Objects	<u>50,000</u>	<u>81,339</u>	<u>(31,339)</u>
Total Direct Expenditures	<u>248,220</u>	<u>329,805</u>	<u>(81,585)</u>
On-behalf Payments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Expenditures	<u>248,220</u>	<u>329,805</u>	<u>(81,585)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 79,652</u>	36,450	<u>\$ (43,202)</u>
Fund Balance, July 1, 2012		<u>112,223</u>	
Fund Balance, June 30, 2013		<u>\$ 148,673</u>	

FEDERAL COMPLIANCE SECTION

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number	Expenditures	
			7/01/11 - 06/30/12	7/01/12 - 06/30/13
U.S. Department of Education				
Title I - Cluster				
Passed-Through Illinois State Board of Education:				
<i>Title I - School Improvement and Accountability</i>	M 84.010A	13-4331-SS	\$ -0-	\$ 1,889,258
<i>Title I - School Improvement and Accountability</i>	M 84.010A	12-4331-SS	1,577,005	1,176,120
Total Title I - Cluster			<u>1,577,005</u>	<u>3,065,378</u>
Passed-Through Illinois State Board of Education:				
<i>Education Jobs Fund</i>	84.410			
<i>Education Jobs Fund</i>	84.410	12-4880-93	1,392	-0-
			<u>1,392</u>	<u>-0-</u>
Improving Teacher Quality State Grants				
Passed-Through Illinois State Board of Education:				
<i>Title II - Teacher Quality - Leadership Grant</i>	84.367A	13-4935-02	-0-	36,260
<i>Title II - Teacher Quality</i>	84.367A	13-4932-00		1,537
			<u>-0-</u>	<u>37,797</u>
Total Federal Awards			<u>\$ 1,578,397</u>	<u>\$ 3,103,175</u>

(M) Program was audited as a major program.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of South Cook Intermediate Service Center No. 4 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 – SUB-RECIPIENTS

Of the federal expenditures presented in the schedule, South Cook Intermediate Service Center No. 4 provided federal awards to sub-recipients as follows:

PROGRAM TITLE	FEDERAL CFDA #	AMOUNT PROVIDED TO SUB-RECIPIENTS
-NONE-	-N/A-	-N/A-

NOTE 3 – DESCRIPTION OF MAJOR PROGRAMS

The following federal programs were audited as a major program in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Title I – School Improvement & Accountability:

This program is part of the Center’s System of Support Coordination and Services Plan. The program is part of a strategy to nurture and assist low-performing schools in Southern Cook County. Services initially are targeted in 85 elementary and high schools and 28 districts now on the Academic Early Warning List (AEWL) and Academic Watch List (AWL), with provision to support additional districts and schools when they are identified. Moreover, schools in jeopardy of being identified as low-performing will be encouraged to access school improvement resources on a fee for services basis.

The goals of the program are to:

- Establish a regional support system to provide improvement support to schools and districts on the AEWL and AWL;
- Assist other schools and districts whose performance make placement on the list in the near future likely;
- Build capacity within each targeted school and district for continuous school improvement; and
- Serve all schools and districts identified for support in the region and assist and collaborate with other regional centers to provide full coverage of targeted districts through efficient and cost-effective programs.

SOUTH COOK INTERMEDIATE SERVICE CENTER NO. 4

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

NOTE 4 – NONCASH ASSISTANCE

-NONE-

NOTE 5 – LOAN AND LOAN GUARANTEES OUTSTANDING

-NONE-

NOTE 6 – INSURANCE

-NONE-