STATE OF ILLINOIS
INTERMEDIATE SERVICE CENTER NO. 2

FINANCIAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

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

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Intermediate Service Center No. 2
Officials
June 30, 2018

Executive Director (Current and during the audit period)	Dr. Mark Klaisner
Assistant Executive Director (Current and during the audit period)	Dr. Michael Popp
Chief School Business Official (June 16, 2021 to current)	Ms. Christi Tyler
Financial Assistant (Current and during the audit period)	Ms. Maria Creevy
Business & Financial Analyst (July 1, 2017 to December 31, 2017)	Ms. Linda Rogers

Office is located at:

4413 Roosevelt Road
Suite 104
Hillside, IL 60162

INTERMEDIATE SERVICE CENTER NO. 2

FINANCIAL REPORT SUMMARY

For the Year Ended June 30, 2018

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

AUDITOR'S REPORT

The auditor's reports do not contain scope limitations, disclaimers or other significant non-standard language.

SUMMARY OF AUDIT FINDINGS

Number of	This Audit	Prior Audit
Audit findings	5	6
Repeated audit findings	4	3
Prior recommendations implemented or not repeated	2	3

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

SUMMARY OF FINDINGS AND RESPONSES

Item No.	Page	Description	Finding Type
		FINDINGS (*GOVERNMENT AUDITING STANDARDS*)	
2018-001	11	Delay of Audit	Noncompliance
2018-002	13	Inadequate Internal Control Procedures	Material Weakness
2018-003	15	Lack of Adequate Controls Over the Review of Internal Controls Over External Service Providers	Significant Deficiency
2018-004	17	Lack of Controls Over Illinois Municipal Retirement Fund (IMRF) Census Data	Material Weakness
2018-005	19	Controls Over Grant Compliance	Noncompliance
		PRIOR FINDINGS NOT REPEATED (*GOVERNMENT AUDITING STANDARDS*)	
2017-003	21	Inadequate Controls Over Procurement-Card Transactions	Significant Deficiency
2017-004	21	Inadequate Controls Over Payroll	Significant Deficiency

EXIT CONFERENCE

Intermediate Service Center No. 2 did not request an exit conference to discuss the audit for the year ended June 30, 2018. Responses to the findings were provided by Christi Tyler on May 31, 2022.

INTERMEDIATE SERVICE CENTER NO. 2
FINANCIAL STATEMENT REPORT SUMMARY
For the Year Ended June 30, 2018

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

Based on their audit, the auditors expressed a qualified opinion on the Intermediate Service Center No. 2's basic financial statements.

INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Board of Directors
Intermediate Service Center No. 2

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities and each major fund of the Intermediate Service Center No. 2, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Intermediate Service Center No. 2's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on Governmental Activities

We were unable to obtain sufficient appropriate audit evidence about the Intermediate Service Center No. 2's proportionate share of the Illinois Municipal Retirement Fund (IMRF) net pension liability, the deferred outflow of resources related to pensions, the deferred inflow of resources related to pensions and the pension expense. The census data provided by the IMRF actuary did not reconcile to the Intermediate Service Center No. 2's records. Consequently, we were unable to determine the accuracy of the underlying data used to develop the actuarial estimates for the above mentioned balances or whether the effects of any necessary adjustments to those balances would be material.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Intermediate Service Center No. 2, as of June 30, 2018, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 12 and 14 to the financial statements, the Intermediate Service Center No. 2 implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which resulted in an adjustment in beginning net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Employer's Proportionate Share of the Net Pension Liability – Teachers' Retirement System of the State of Illinois, the Schedule of Employer Contributions – Teachers' Retirement System of the State of Illinois, the Schedule of Changes in the Net Pension Liability and Related Ratios – Illinois Municipal Retirement Fund, the Schedule of Employer Contributions – Illinois Municipal Retirement Fund, Schedule of Employer's Proportionate Share of the Collective Net OPEB Liability – Teachers' Health Insurance Security Fund, the Schedule of Employer Contributions – Teachers' Health Insurance Security Fund, and the Schedule of Changes in the Net OPEB Liability and Related Ratios – Postretirement Health Plan on pages 70-74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the

Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Intermediate Service Center No. 2's basic financial statements. The combining schedule of accounts, the budgetary comparison schedules and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2022, on our consideration of the Intermediate Service Center No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Intermediate Service Center No. 2's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Intermediate Service Center No. 2's internal control over financial reporting and compliance.

[FIRM SIGNATURE ON FILE]

Hillside, Illinois
June 3, 2022

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

Board of Directors
Intermediate Service Center No. 2

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Intermediate Service Center No. 2 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Intermediate Service Center No. 2's basic financial statements, and we have issued our report thereon dated June 3, 2022. That report contained a qualified opinion with respect to governmental activities because we were unable to obtain sufficient appropriate audit evidence about the Intermediate Service Center No. 2's proportionate share of the Illinois Municipal Retirement Fund net pension liability, the deferred outflow of resources related to pensions, the deferred inflow of resources related to pensions and the pension expense.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Intermediate Service Center No. 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Intermediate Service Center No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of the Intermediate Service Center No. 2's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2018-002 and 2018-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2018-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Intermediate Service Center No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2018-001 and 2018-005.

Intermediate Service Center No. 2's Responses to the Findings

The Intermediate Service Center No. 2's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Intermediate Service Center No. 2's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Intermediate Service Center No. 2's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Intermediate Service Center No. 2's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[FIRM SIGNATURE ON FILE]

Hillside, Illinois
June 3, 2022

INTERMEDIATE SERVICE CENTER No. 2

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements in Accordance with GAAP

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

FINDING NO. 2018-001 –Delay of Audit (Repeated from finding 17-001, 16-004 and 15-004)

Criteria/Specific Requirements

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

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

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

Condition

The Intermediate Service Center No. 2 did not provide completed financial statements in an auditable form by the August 31, 2018 deadline.

Effect

When auditable financial statements are not provided in a timely manner, delays in the audit occur and the usefulness of the financial statements and related findings resulting from the audit is impacted. Additionally, untimely financial statements could result in repercussions from granting agencies including loss of funding.

FINDING NO. 2018-001 –Delay of Audit (Repeated from finding 17-001, 16-004 and 15-004) (Continued)

Cause

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

Recommendation

The Intermediate Service Center No. 2 should implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Additionally, Intermediate Service Center management should determine if changing to the cash basis or modified cash basis would be allowable and beneficial to the Intermediate Service Center No. 2 and the users of its financial statements. These financial statements need to be presented to the Auditor General's independent auditors for audit by the August 31 deadline.

Management Response

As this writing is occurring in FY22, we expect to see this as an ongoing finding for the audits yet to be completed for FY19-21. We have worked with our contracted accountant over the past six years, who has experience with ROE/ISC audits and knows the requirements, to have reports available in a timely manner moving forward. We have also hired a Chief School Business Official (CSBO) who started work here in July 2021 to address this issue and other findings in this document.

FINDING NO. 2018-002 – Inadequate Internal Control Procedures (Partially repeated from Findings 17-002, 16-001, 15-001, 14-001, 13-001 and 12-1)

Criteria/Specific Requirements

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

Condition

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

- All transactions are not initially posted directly to the correct funds in the general ledger. Subsequent adjusting entries must be recorded to reclassify them to the proper fund.
- There is a lack of segregation of duties within the cash receipts process. The same employee is primarily responsible for creating invoices for programs and academies, receiving and depositing cash receipts, and following up on outstanding receivable balances. Additionally, there is no formal process for reviewing outstanding receivables.
- There is no consistent documentation of room rental rates. Room rates vary by type of event and user and are communicated to the registrar for invoicing either verbally or by email.
- There is a lack of controls over equipment inventory. The ISC has a detailed listing of capital assets costing over $1,500 acquired after 2015; however, no details of assets acquired prior to that time were available nor are annual physical inventories taken.

Effect

The Intermediate Service Center No. 2's management or its employees, in the normal course of performing their assigned functions, may not prevent or detect and correct errors, omissions, and/or fraud in a timely manner.

Cause

The Intermediate Service Center No. 2 management indicated it has not established or documented sufficient internal control procedures.

FINDING NO. 2018-002 – Inadequate Internal Control Procedures (Partially repeated from Findings 17-002, 16-001, 15-001, 14-001, 13-001 and 12-1) (Continued)

Recommendation

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

- Transactions should be posted directly to appropriate accounts upon initial recording to avoid subsequent reclassifications.
- Incompatible accounting functions need to be segregated and a formal process for reviewing outstanding receivables implemented.
- Room rental rates should be communicated in writing to the registrar to avoid misunderstanding and to provide an audit trail.
- Capital asset inventories need to be taken on an annual basis and detailed records maintained.

Management Response

- Since the original finding regarding reclassifications, we have been training staff to provide accurate account coding to minimize the number of journal entries needed.
- Accounting functions will be segregated and a formal process for reviewing outstanding receivables implemented.
- Consistent documentation of room rentals will be developed.
- Capital asset inventories will be taken on an annual basis and detailed records maintained.

FINDING NO. 2018-003 – Lack of Adequate Controls Over the Review of Internal Controls Over External Service Providers (Repeated from finding 17-005)

Criteria/Specific Requirements

Intermediate Service Center No. 2 is responsible for the design, implementation, and maintenance of internal controls, including the controls that are outsourced to service providers, related to information systems and operations to ensure resources and data are adequately protected from unauthorized or accidental disclosure, modifications, or destruction. This process is not limited due to the process being outsourced.

Generally accepted information technology guidance endorses the review and assessment of internal controls related to information systems and operations to assure the accurate processing and security of information.

Condition

As part of the audit process, we requested the Intermediate Service Center No. 2 provide a population of the service providers utilized. The Intermediate Service Center No. 2 was able to identify service providers that provided various hosting and backup services.

During testing, the auditors noted the Intermediate Service Center No. 2 had not:

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

Effect

Without having obtained and reviewed a SOC report or another form of independent internal controls review, the Intermediate Service Center No. 2 does not have assurance the external service provider’s and its subservice organization’s internal controls are adequate.

FINDING NO. 2018-003 – Lack of Adequate Controls Over the Review of Internal Controls Over External Service Providers (Repeated from finding 17-005) (Continued)

Cause

Intermediate Service Center No. 2 management indicated staff lacked knowledge that a good internal control system included having controls in place to ensure the accuracy of what external service providers are providing and to ensure that the controls of external service providers are sufficient to perform the service(s) for the organization.

Recommendation

We recommend the Intermediate Service Center No. 2 identify all third-party service providers and determine and document if a review of controls is required. If required, the Intermediate Service Center No. 2 should:

- Obtain SOC reports including services provided by subservice organizations, prior to signing agreements with providers and annually thereafter or perform independent reviews of internal controls associated with outsourced systems.
- Document its review of the SOC reports or perform alternative procedures to evaluate all significant issues to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the Intermediate Service Center No. 2, and any compensating controls.
- Review contracts with service providers to ensure applicable requirements over the independent review of internal controls are included.

Management Response

We have made contact with another Regional Office of Education to receive training and documentation regarding controls over the review of internal controls over external service providers.

FINDING NO. 2018-004 – Lack of Controls Over Illinois Municipal Retirement Fund (IMRF) Census Data (Repeated from finding 17-006)

Criteria/Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. Management of cost-sharing and agent employer plans are also responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework, including completeness and accuracy of census data. Although an outside actuary is involved in the calculation of the net pension liability, the actuary relies on census data, the accuracy of which is the responsibility of Intermediate Service Center No. 2.

Condition

During testing of the Illinois Municipal Retirement Fund (IMRF) net pension liability, we noted the actuarially determined pension report had census data that could not be confirmed as reasonably accurate. Specifically, we noted:

- A decrease in the number of retirees and beneficiaries receiving benefits (annuitant) from the December 31, 2015 actuarial valuation to the December 31, 2016 actuarial valuation from 28 to 12.
- Four of 12 annuitants listed on the census data provided to the actuary were never employees of Intermediate Service Center No. 2.

Effect

Without effective internal controls in place over pension related census data, pension related balances for the IMRF Plan could be materially misstated. Inadequate census data could also alter the amount of pension contributions required to be deposited on a monthly basis due to erroneous pension assets/liabilities.

Cause

Intermediate Service Center No. 2 management indicated that in 2013, IMRF approved Intermediate Service Center No. 2 to be an IMRF agent whereas District 106 was previously the administrative agent that encompassed Intermediate Service Center No. 2. At this time, a number of individuals who were never Intermediate Service Center No. 2 employees were erroneously transferred to Intermediate Service Center No. 2’s new account. However, management indicated that the error was corrected. It is likely this resulted in additional individuals being erroneously included in Intermediate Service Center No. 2’s census data.

FINDING NO. 2018-004 – Lack of Controls Over Illinois Municipal Retirement Fund (IMRF) Census Data (Repeated from finding 17-006) (Continued)

Recommendation

We recommend Intermediate Service Center No. 2 work with IMRF to determine the cause of the discrepancies and establish appropriate review procedures over the actuarial valuations and supporting census data.

Management Response

Since this error was detected in 2017, we have been requesting that IMRF make the corrections. We will continue to work with IMRF to ensure that their records are correct and that their previous error does not skew our current actuarial valuations.

FINDING NO. 2018-005 – Controls over Grant Compliance

Criteria/Specific Requirements

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

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

Condition

During the course of the audit, auditors noted 20 of the 24 (83%) quarterly expenditure reports required by the Illinois State Board of Education were not submitted timely. Twelve of the quarterly expenditure reports were submitted four days late, six quarterly expenditure reports were submitted six days late and two of the quarterly expenditure reports were submitted 62 days late.

Effect

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

Cause

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

Recommendation

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

Management Response

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

FINDING NO. 2018-001 –Delay of Audit
(Repeated from finding 17-001, 16-004 and 15-004)

Condition

The Intermediate Service Center No. 2 did not provide completed financial statements in an auditable form by the August 31, 2018 deadline.

Corrective Action Plan

Intermediate Service Center No. 2 has worked with a contracted accountant over the past five years who has experience with ROE/ISC audits and knows the requirements to have reports available in a timely manner moving forward. Intermediate Service Center No. 2 also hired a Chief Business Official who began work in July, 2021 to address this issue.

Anticipated Date of Completion

August 31, 2023

Name of Contact Person

Christi Tyler, Chief School Business Official

FINDING NO. 2018-002 –Inadequate Internal Control Procedures
(Partially repeated from Findings 17-002, 16-001, 15-001, 14-001, 13-001 and 12-1)

Condition

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

- All transactions are not initially posted directly to the correct funds in the general ledger. Subsequent adjusting entries must be recorded to reclassify them to the proper fund.
- There is a lack of segregation of duties within the cash receipts process. The same employee is primarily responsible for creating invoices for programs and academies, receiving and depositing cash receipts, and following up on outstanding receivable balances. Additionally, there is no formal process for reviewing outstanding receivables.
- There is no consistent documentation of room rental rates. Room rates vary by type of event and user and are communicated to the registrar for invoicing either verbally or by email.
- There is a lack of controls over equipment inventory. The ISC has a detailed listing of capital assets costing over $1,500 and acquired after 2015, however no details of assets acquired prior to that time were available nor are annual physical inventories taken.

Corrective Action Plan

Intermediate Service Center No. 2 will implement or has implemented the following:

- Financial reports will be thoroughly reviewed prior to issuance.
- Accounting functions will be segregated and a formal process for reviewing outstanding receivables implemented.
- Room rates will be developed and used consistently.
- Capital asset inventories will be taken on an annual basis and detailed records maintained.

Anticipated Date of Completion

July 31, 2022

Name of Contact Person

Christi Tyler, Chief School Business Official

INTERMEDIATE SERVICE CENTER NO. 2
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2018

FINDING NO. 2018-003– Lack of Adequate Controls Over the Review of Internal Controls Over External Service Providers (Repeated from finding 17-005)

Condition

As part of the audit process, we requested the Intermediate Service Center No. 2 provide a population of the service providers utilized. The Intermediate Service Center No. 2 was able to identify service providers that provided various hosting and backup services.

During testing, the auditors noted the Intermediate Service Center No. 2 had not:

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

Corrective Action Plan

Intermediate Service Center No. 2 has made contact with another Regional Office of Education to receive training and documentation regarding controls over the review of internal controls over external service providers.

Anticipated Date of Completion

June 30, 2022

Name of Contact Person

Dr. Michael Popp, Assistant Executive Director

FINDING NO. 2018-004 – Lack of Controls Over Illinois Municipal Retirement Fund (IMRF) Census Data (Repeated from finding 17-006)

Condition

During testing of the Illinois Municipal Retirement Fund (IMRF) net pension liability, we noted the actuarially determined pension report had census data that could not be confirmed as reasonably accurate. Specifically, we noted:

- A decrease in the number of retirees and beneficiaries receiving benefits (annuitant) from the December 31, 2015 actuarial valuation to the December 31, 2016 actuarial valuation from 28 to 12.
- Four of 12 annuitants listed on the census data provided to the actuary were never employees of Intermediate Service Center No. 2.

Corrective Action Plan

Intermediate Service Center No. 2 will continue to work with IMRF to ensure that their records are correct and that their previous error does not skew the current actuarial valuations.

Anticipated Date of Completion

July 31, 2022

Name of Contact Person

Christi Tyler, Chief School Business Official

INTERMEDIATE SERVICE CENTER NO. 2
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2018

FINDING NO. 2018-005 – Controls over Grant Compliance

Condition

During the course of the audit, auditors noted 20 of the 24 (83%) quarterly expenditure reports required by the Illinois State Board of Education were not submitted timely. Twelve of the quarterly expenditure reports were submitted four days late, six quarterly expenditure reports were submitted six days late and two of the quarterly expenditure reports were submitted 62 days late.

Corrective Action Plan

Intermediate Service Center 2 will timely submit quarterly expenditure reports.

Anticipated Date of Completion

June 1, 2021

Name of Contact Person

Christi Tyler

INTERMEDIATE SERVICE CENTER NO. 2

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS NOT REPEATED

For the Year Ended June 30, 2018

2017-003	Inadequate Controls Over Procurement-Card Transactions	
	In the current year, personal expenses charged to procurement cards were not noted and charges were supported by receipts.	Not Repeated
2017-004	Inadequate Controls Over Payroll	
	In the current year, all salary changes and contracts included proper approval.	Not Repeated

BASIC FINANCIAL STATEMENTS

Intermediate Service Center No. 2
Statement of Net Position
June 30, 2018
Exhibit A

	Primary Government
	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 1,600,928
Due from other governmental agencies	462,330
Total current assets	2,063,258
Noncurrent assets	
Capital assets, net	23,076
TOTAL ASSETS	2,086,334
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	1,265,010
Deferred outflows related to OPEB	120,496
Total deferred outflows of resources	1,385,506
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	67,902
Due to other governmental agencies	25,799
Total current liabilities	93,701
Noncurrent liabilities	
Compensated absences	193,458
Line of credit	2,500,000
Net pension liabilities	2,362,610
Net OPEB liabilities	2,276,917
Total noncurrent liabilities	7,332,985
TOTAL LIABILITIES	7,426,686
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	2,460,038
Deferred inflows related to OPEB	256,797
Total deferred inflows of resources	2,716,835
NET POSITION	
Net investment in capital assets	23,076
Restricted for educational purposes	441,171
Unrestricted	(7,135,928)
TOTAL NET POSITION	$ (6,671,681)

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

Intermediate Service Center No. 2
Statement of Activities
For the Year Ended June 30, 2018
Exhibit B

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
				Primary Government
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS				
Primary government				
Governmental activities:				
Instructional services				
Salaries	$ 5,632,982	$ 783,644	$ 4,300,306	$ (549,032)
Benefits	1,023,018	143,717	787,789	(91,512)
Pension expense	239,770	74,933	409,006	244,169
OPEB expense	191,567	3,640	20,267	(167,660)
Purchased services	1,916,413	269,223	1,494,459	(152,731)
Supplies and materials	226,436	31,810	177,016	(17,610)
Depreciation expense	8,083	-	-	(8,083)
Capital expenditures	82,540	11,595	64,558	(6,387)
Intergovernmental				
Payments to other governments	136,190	19,132	106,519	(10,539)
Administrative				
On-behalf payments	5,081,709	-	5,081,709	-
Total governmental activities	$ 14,538,708	$ 1,337,694	$ 12,441,629	(759,385)
	General revenues:			
	Local sources			547,355
	Change in net position			(212,030)
	Net position - beginning of year, as restated (see Note 13)			(6,459,651)
	Net position - end of year			$ (6,671,681)

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

Intermediate Service Center No. 2
Governmental Funds
Balance Sheet
June 30, 2018
Exhibit C

	General Fund	Education Fund	Institute	Eliminations	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,257,138	$ -	$ 343,790	$ -	$ 1,600,928
Due from other governmental agencies	258,794	203,536	-	-	462,330
Due from other funds	187,713	-	-	(187,713)	-
TOTAL ASSETS	1,703,645	203,536	343,790	(187,713)	2,063,258
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)					
LIABILITIES					
Accounts payable and accrued expenses	64,146	3,756	-	-	67,902
Due to other governmental agencies	23,180	-	2,619	-	25,799
Due to other funds	-	187,713	-	(187,713)	-
Total liabilities	87,326	191,469	2,619	(187,713)	93,701
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	140,938	85,317	-	-	226,255
FUND BALANCES (DEFICIT)					
Restricted	100,000	-	341,171	-	441,171
Assigned	1,375,381	15,443	-	-	1,390,824
Unassigned	-	(88,693)	-	-	(88,693)
Total fund balances (deficit)	1,475,381	(73,250)	341,171	-	1,743,302
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)	$ 1,703,645	$ 203,536	$ 343,790	$ (187,713)	$ 2,063,258

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

Intermediate Service Center No. 2
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018
Exhibit D

Total fund balances (deficit) - governmental funds		$ 1,743,302
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in the governmental activities are not financial resources and therefore, are not reported in the funds.		23,076
Some revenues will not be collected for several months after the fiscal year ends; they are not considered "available" revenues and are deferred in the governmental funds.		226,255
Pension/OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources - pensions	$ 1,265,010	
Deferred outflows of resources - OPEB	120,496	
Deferred inflows of resources - pensions	(2,460,038)	
Deferred inflows of resources - OPEB	(256,797)	(1,331,329)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences	(193,458)	
Line of credit	(2,500,000)	
TRS net pension liability	(1,596,184)	
IMRF net pension liability	(766,426)	
OPEB liabilities	(2,276,917)	(7,332,985)
Net position of governmental activities		$ (6,671,681)

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

Intermediate Service Center No. 2
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018
Exhibit E

	General Fund	Education Fund	Institute	Total Governmental Funds
REVENUES				
Federal sources	$ -	$ 266,896	$ -	$ 266,896
State sources	6,175,173	1,128,981	-	7,304,154
Local sources	1,564,109	69,385	251,555	1,885,049
On-behalf payments - State	124,151	-	-	124,151
Total revenues	7,863,433	1,465,262	251,555	9,580,250
EXPENDITURES				
Instructional services:				
Salaries	4,850,371	647,774	80,078	5,578,223
Benefits	922,047	85,178	15,793	1,023,018
Pension expense	495,927	27,006	10,463	533,396
OPEB expense	21,241	4,671	-	25,912
Purchased services	1,484,350	426,386	5,677	1,916,413
Supplies and materials	189,442	36,882	112	226,436
On-behalf payments - State	124,151	-	-	124,151
Intergovernmental:				
Payments to other governments	136,190	-	-	136,190
Capital expenditures	81,352	1,188	-	82,540
Total expenditures	8,305,071	1,229,085	112,123	9,646,279
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(441,638)	236,177	139,432	(66,029)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of line of credit	2,500,000	-	-	2,500,000
Transfers in (out)	(1,484)	1,484	-	-
Total other financing sources (uses)	2,498,516	1,484	-	2,500,000
NET CHANGE IN FUND BALANCES	2,056,878	237,661	139,432	2,433,971
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	(581,497)	(310,911)	201,739	(690,669)
FUND BALANCES (DEFICIT), END OF YEAR	$ 1,475,381	$ (73,250)	$ 341,171	$ 1,743,302

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

Intermediate Service Center No. 2
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2018
Exhibit F

Net change in fund balances		$ 2,433,971
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.		
Depreciation expense		(8,083)
Proceeds from line of credit is reported in the governmental funds as other financing source, however, this is reported as a long-term liability in the governmental activities.		(2,500,000)
Revenues reported in the Statement of Activities in the prior year that did not provide current financial resources and is now reported as revenues in the governmental funds.		(437,385)
Some revenues will not be collected for several months after the Intermediate Service Center's fiscal year ends; they are considered "unavailable" revenues and are deferred inflows of resources in the governmental funds.		
Current year unavailable revenue		226,255
Accrued payroll and benefits costs which reflect the amount of vacation pay that has been earned by the Intermediate Service Center No. 2's employees in prior years and was paid in the current year, but is not reported in the governmental funds.		(54,759)
Governmental funds report pension/OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension/OPEN benefits earned net of employee contributions is reported as pension/OPEB expense.		
Pension:		
Employer contributions	$ 533,396	
Cost of benefits earned, net	(239,770)	293,626
OPEB:		
Employer contributions	25,912	
Cost of benefits earned, net	(191,567)	(165,655)
Change in net position of governmental activities		$ (212,030)

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

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

West Cook now known as Intermediate Service Center No. 2 (the Center) includes the area within the territorial boundaries of the following high school districts:

- Oak Park and River Forest High School District 200
- J.S. Morton High School District 201
- Lyons Township High School District 204
- Riverside Brookfield Township High School District 208
- Proviso Township High School District 209
- Leyden Community High School District 212
- Ridgewood Community High School District 234
- Elmwood Park Community Unit District 401

The Center is governed by an eleven-member board. The administrative agent designated for this center during the audit period was the Lyons Township School Treasurer.

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

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

The Center may also provide training, technical assistance, coordination and planning in other program areas. The Illinois State Board of Education (ISBE) shall promulgate rules and regulations necessary to operate the Center.

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

Reporting Entity

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

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

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

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 non-fiduciary activities of the Center.

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 the grant agreements, the Center 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 the Center to first apply restricted fund balances, then unrestricted. For unrestricted

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

fund balances, committed fund balances are used first, then assigned fund balances, then unassigned if any.

The Statement of Net Position presents the Center's nonfiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. The net position is reported in three categories:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for any debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

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

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

Measurement Focus and Basis of Presentation

The accounts of the Center are organized and operated on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in individual funds as required by the State of Illinois based upon the purposes for which they are spent and the means by which spending activities are controlled.

Governmental Funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds.

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

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

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

Restricted Fund Balance - this consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. The Institute Fund is restricted by Illinois statute. The Local Sources restricted fund is restricted for interest payments as agreed in the promissory note.

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

Assigned Fund Balance - this consists of net amounts that are constrained by the Center's intent to be used for specific purposes, but that are neither restricted nor committed. The accounts presented with assigned fund balances are specified for a particular purpose by the Executive Director. The following programs comprise assigned fund balances: ALOP and West Cook Math Initiative.

Unassigned Fund Balance - available expendable financial resources in a governmental fund that are not designated for a specific purpose. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes. The Center's unassigned fund balance includes the following funds: Local Sources, General State Aid/RSSP Tuition, Fingerprinting, Non-Public School Compliance Services, State Free Lunch and Breakfast, RSSP, Truants Alternative & Optional Education Program, Title I - School Improvement and Accountability, Pilot Regional Safe School Cooperative Education Program, ESSA Non-Public Ombudsman, and AdvancED.

The Center reports the following major governmental funds:

General Fund - The General Fund is the operating fund of the Center. It is used to account for all financial resources within the territorial boundaries of the Center except those required to be accounted and reported for in another fund. The General Fund includes the following accounts:

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

Local Sources - These are revenues and expenditures associated with workshops conducted by the Center and tuition monies for teachers.

General State Aid/Regional Safe Schools Program (RSSP) Tuition - This program is for students placed in Regional Safe Schools. Districts give up their General State Aid claim for the students while placed in the RSSP.

Alternative Learning Opportunities Program (ALOP) - Offers a broader range of academic, behavioral, and social/emotional interventions designed to increase the academic achievement levels of these students so that they are able meet the Illinois Learning Standards and complete their education in a safe learning environment.

Fingerprinting - Accounts for the fees received from the school districts which are used to pay for the fingerprinting services provided to school district employees.

Non-Public School Compliance Services - The Center has been contracted by ISBE to conduct compliance visits at non-public schools in Illinois to examine records, to observe teaching, and to view the physical plant with the intent, in general, to provide assurance to each school, its constituency, and the general public that the school supplies an education and an educational environment in general equivalency to a comparable public school within the state.

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

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

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

Response to Intervention - Contributes to the improvement of instruction for students with disabilities and to the prevention of inappropriate identification of specific learning disabilities.

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

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

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

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

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

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

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

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

Truants Alternative & Optional Education Program - This program serves eligible students with attendance problems and/or dropouts up to and including those who are 21 years of age, and provides truancy prevention and intervention services to students and/or serves as part-time or full-time options to regular school attendance.

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

Title I - School Improvement and Accountability - This program provides direct technical assistance to schools and districts in academic status. The

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

program provides funds to put school support teams (educational advisors) in each school in academic trouble.

Pilot Regional Safe School Cooperative Education Program - This program accounts for grant monies received for, and payment of expenditures related to providing suspended or expelled youth at the Regional Safe School with alternative cooperative education including classroom work and experience in the private sector.

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

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

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

Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Revenues received more than 60 days after the end of the current period are deferred inflows of resources in the governmental fund financial statements, but are recognized as current revenues in the government-wide financial statements.

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

The Center records on-behalf payments made by the State to the Teachers' Retirement System and Teacher Health Insurance Security Fund as revenue and expenditures. The modified accrual basis of accounting is followed by the Governmental funds, which is in conformity with the Illinois Program Accounting Manual for Local Education Agencies and accounting principles generally accepted in the United States of America. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is, when they become both "measurable" and "available" to finance expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. As a general rule, the effect of interfund activities has been eliminated 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.

Budgets and Budgetary Accounting

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

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

Special Revenue Funds:

- Education Fund:
  - I.S.C. Operations
  - RSSP
  - Truants Alternative & Optional Education Program
  - Title II - Teacher Quality - Leadership Grant
  - Title I - School Improvement and Accountability
  - Pilot Regional Safe School Cooperative Education Program

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

Cash and Cash Equivalents

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

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

Cash and Investments in the Custody of the Township School Treasurer

The Lyons Township School Treasurer (Treasurer), a separate legal governmental agency, serves as the Treasurer as prescribed by the Illinois School Code (105 ILCS 5/8). In addition to the Center, the Treasurer serves other districts. Cash from all districts is combined by the Treasurer and excess cash is invested as authorized by law. Because there is no specific identification of investments by individual districts, interest earned on investments is allocated monthly to the various districts based upon their average monthly cash and investment balances. The Treasurer is authorized by State statutes and local ordinances, to invest on behalf of the district in obligations of U.S. Treasury agencies backed by the full faith and credit of the U.S. Government, certificates of deposit issued by commercial banks and savings and loan associations, and commercial paper rated within the three highest classifications by at least two standard rating services.

Because all cash and investments are pooled by a separate legal governmental agency (Treasurer) categorization by risk category is not determinable. Further information regarding collateralization of investments and insurance is available from the Treasurer's financial statements. During the year, no interest was credited to the Center.

	Carrying Amount	Bank Balance
Equity in pooled cash and investments of Lyons Township School Treasurer	$ 1,558,119	$ 1,558,119

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active market for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Level 1 Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Treasurer has the ability to access.

Level 2 Inputs to valuation methodology include the following:

* Quoted prices for similar assets or liabilities in active markets;
* Quoted prices for identical or similar assets or liabilities in inactive markets;
* Inputs other than quoted market prices that are observable for the asset or liability;
* Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

The following is a description of the valuation methodologies used for the Treasurer's investments measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

Municipal Bonds: Valued at the closing price of identical instruments with comparable durations reported on the inactive market on which the individual securities are traded.

U.S. Treasury Securities and Debt Securities: Valued at the closing price of instruments reported on the inactive market on which the individual securities are traded.

Corporate Bonds: Valued at the closing price of identical instruments with comparable durations reported on the active market on which the individual securities are traded.

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

Negotiable Certificates of Deposits: Valued at the closing price of identical instruments with comparable durations reported on the inactive market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Treasurer believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Interest Rate Risk. The Treasurer's investment policy seeks to ensure preservation of capital in the Treasurer's overall portfolio. The highest return on investments is sought, consistent with the preservation of principal and prudent investment principles. The investment portfolio is required to provide sufficient liquidity to pay Treasurer obligations as they come due, considering maturity and marketability. The investment portfolio is also required to be diversified as to maturities and investments, as appropriate to nature, purpose and amount of funds. The Treasurer will also consider investments in local financial institutions, recognizing their contribution to the community's economic development.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper, corporate bonds and mutual funds to the top two ratings issued by nationally recognized rating organizations. The Treasurer's investment policy further minimizes credit risk by limiting the investments to the safest types of securities and/or financial institutions; pre-qualifying the financial institutions, brokers, dealers, intermediaries, and advisors with which the Treasurer will do business; and diversifying the investment portfolio so that potential losses on individual securities will be minimized.

The Illinois School District Liquid Assets Fund Plus is a not-for-profit pooled investment trust pursuant to the Illinois Municipal Code and managed by a Board of Trustees, elected from participating members. The trust is not registered with the Securities and Exchange Commission (SEC) as an investment company. Investments are rated AAAm and are valued at share price, which is the price for which the investment could be sold.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company. Investments in Illinois Funds are rated AAAm and are valued at Illinois Funds' share price, which is the price for which the investment could be sold.

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

At June 30, 2018, the Treasurer's investments subject to credit risk were rated as follows:

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

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

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

Custodial Credit Risk. With respect to deposits, custodial credit risk is the risk that, in the event of a bank failure, the government's deposit may not be returned to it. The Treasurer's investment policy limits the exposure to deposit custodial credit risk by requiring all deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurable limits to be secured by collateral in the event of default or failure of the financial institution holding the fund. At June 30, 2018, the bank balance of the Treasurer's deposits with financial institutions was fully insured or collateralized.

With respect to investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Treasurer's investments are held by their agent and in the Treasurer's name. At June 30, 2018, there were no investments exposed to custodial credit risk.

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

Capital Assets

Capital assets used in governmental fund types are recorded in the government-wide financial statements at a cost or estimated historical cost if purchased or constructed. The Center capitalizes those fixed assets with a cost of $1,500 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 assets lives are not capitalized. All capital assets are being depreciated using the straight-line method over the following useful life:

Equipment & Leasehold Improvements	7 years

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

The governmental activities capital assets activities for the year ended June 30, 2018 follow:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Equipment	$ 56,597	$ –	$ –	$ 56,597
Less: accumulated depreciation	(25,438)	(8,083)	–	(33,521)
Capital assets, net	$ 31,159	$ (8,083)	$ –	$ 23,076

Depreciation expense for the year ended June 30, 2018 totaling $8,083 was charged to governmental activities under the instructional services function.

Compensated Absences

The Center's 12-month, regular, full-time employees earn vacation on a quarterly basis accruing to 20 days per year. The Executive Director determines the number of days that may be carried over from year to year. For the year ended June 30, 2018, the Executive Director granted up to ten days of vacation leave that could carry over to the next fiscal year to be used in the first quarter of the year which totaled $193,458 as of year end and thus, a liability has been accrued.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources - Deferred outflows of resources present a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension or

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

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

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

Deferred inflows of resources consist of grant receivables not collected within sixty days after year end.

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

Postemployment Benefits Other Than Pension (OPEB)

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

NOTE 2 CASH AND CASH EQUIVALENTS

Deposits. At June 30, 2018, the carrying amounts of the Center's government-wide fund deposits were $42,809 and the bank balances were $42,809. Of the total bank balances as of June 30, 2018, $1,000 was secured by FDIC and $41,809 was invested in the Illinois Funds Money Market Fund.

Custodial Credit Risk. Custodial credit risk for deposits with financial institutions is the risk that, in the event of bank failure, the Center's deposits may not be returned to it. As of June 30, 2018, the Center did not have a deposit account with a financial institution that exceeded FDIC coverage.

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

Investments. The Center's investment policy requires that funds should be invested solely in investments authorized by 30 ILCS 235/2 and 6 and 105 ILCS 5/8-7. At June 30, 2018, the Center had investments totaling $41,809 in the Illinois Funds Money Market Fund.

Credit Risk. At June 30, 2018, the Illinois Funds Money Market Fund had a Standard and Poor's AAAm rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provision of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

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

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

NOTE 3 RISK MANAGEMENT

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

NOTE 4 RETIREMENT FUND COMMITMENTS

Teachers' Retirement System of the State of Illinois

Plan Description

The Center participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at http://trsil.org/financial/cafrs/fy2017; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 678-3675, option 2.

Benefits Provided

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

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

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

Public Act 100-0023, enacted in 2017, creates an optional Tier 3 hybrid retirement plan, but it has not yet gone into effect. The earliest possible implementation date is July 1, 2019.

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

Contributions

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2017, was 9.0 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the Center through La Grange South School District No. 105.

On behalf contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the Center. For the year ended June 30, 2018, State of Illinois contributions recognized by the Center were based on the State's proportionate share of the collective net pension liability associated with the Center, and the Center recognized revenue and expenditures of $4,759,825 in pension contributions from the State of Illinois.

2.2 formula contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2018, were $9,490 and are deferred because they were paid after the June 30, 2017 measurement date.

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

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

For the year ended June 30, 2018, the employer pension contribution was 10.10 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2018, salaries totaling $376 were paid from federal and special trust funds that required employer contributions of $168. These contributions are deferred because they were paid after the June 30, 2017 measurement date.

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

Employer retirement cost contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The Center is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the program that ended on June 30, 2016 is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2018, the Center paid no employer ERO contributions for retirements that occurred before July 1, 2016.

The Center is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2018, the Center made no payments to TRS for employer contributions due on salary increases in excess of 6 percent and no payments for sick leave days granted in excess of the normal annual allotment.

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

At June 30, 2018, the Center reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for State pension support provided to the Center. The State's support and total are for disclosure purposes only. The amount recognized by the Center as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Center were as follows:

Center's proportionate share of the net pension liability	$	1,596,184
State's proportionate share of the net pension liability associated with the employer		48,364,734
Total	$	49,960,918

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, and rolled forward to June 30, 2017. The Center's proportion of the net pension liability was based on the Center's share of contributions to TRS for the measurement year ended June 30, 2017, relative to the contributions of all participating TRS employers and the State during that period. At June 30, 2017, the Center's proportion was 0.00209 percent, which was an increase of 0.00018 percent from its proportion measured as of June 30, 2016.

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

For the year ended June 30, 2018, the Center recognized pension expense of $4,759,825 and revenue of $4,759,825 for support provided by the State. For the year ended June 30, 2018, the Center recognized pension expense of $708,000. At June 30, 2018, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 17,336	$ 737
Net difference between projected and actual earnings on pension plan investments	1,095	–
Changes of assumptions	106,534	45,867
Changes in proportion and differences between the Center contributions and proportionate share of contributions	581,444	559,647
Center contributions subsequent to the measurement date	9,658	–
Total	$ 716,067	$ 606,251

$9,658 reported as deferred outflows of resources related to pensions resulting from Center's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows in these reporting years:

Year Ended June 30:	Net Deferred Outflows (Inflows) of Resources
2019	$ 58,607
2020	95,053
2021	70,528
2022	(104,783)
2023	(19,247)
Total	$ 100,158

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

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

Mortality rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experiences. The rates are used on a fully-generational basis using projection table MP-2014. The same assumptions were used in the June 30, 2016 actuarial valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities large cap	14.4%	6.94%
U.S. equities small/mid cap	3.6%	8.09%
International equities developed	14.4%	7.46%
Emerging market equities	3.6%	10.15%
U.S. bonds core	10.7%	2.44%
International debt developed	5.3%	1.70%
Real estate	15.0%	5.44%
Commodities (real return)	11.0%	4.28%
Hedge funds (absolute return)	8.0%	4.16%
Private equity	14.0%	10.63%
Total	100.0%	

Discount Rate

At June 30, 2017, the discount rate used to measure the total pension liability was 7.0 percent, which was a change from the June 30, 2016 rate of 6.83 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and State contributions will be made at the current statutorily-required rates.

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

Based on those assumptions, TRS's fiduciary net position at June 30, 2017 was projected to be available to make all projected future benefit payments to current active and inactive members and all benefit recipients. Tier 1's liability is partially-funded by Tier 2 members, as the Tier 2 member contribution is higher than the cost of Tier 2 benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. All projected future payments were covered, so the long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2016, the discount rate used to measure the total pension liability was 6.83 percent. The discount rate was lower than the actuarially-assumed rate of return on investments that year because TRS's fiduciary net position and the subsidy provided by Tier 2 were not sufficient to cover all projected benefit payments.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Center's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Center's proportionate share of the net pension liability	$ 1,961,120	$ 1,596,184	$ 1,297,271

TRS Fiduciary Net Position

Detailed information about the TRS's fiduciary net position as of June 30, 2017 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

<u>Illinois Municipal Retirement Fund</u>

IMRF Plan Description

The Center's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The Center's plan is managed by the Illinois

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

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

Benefits Provided

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

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

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

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

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

Employees Covered by Benefit Terms

As of December 31, 2017, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries currently receiving benefits	14
Inactive Plan Members entitled to but not yet receiving benefits	56
Active Plan Members	81
Total	151

Contributions

As set by statute, the Center's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Center's annual contribution rate for calendar year 2017 was 14.33%. For the fiscal year ended 2018, the Center contributed $523,738 to the plan. The Center also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The Center's net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2017:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.50%.
- **Salary Increases** were expected to be 3.39% to 14.25%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014 to 2016.

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

- For **non-disabled retirees**, an IMRF specific Mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2017:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Equities	37%	6.85%
International Equities	18%	6.75%
Fixed Income	28%	3.00%
Real Estate	9%	5.75%
Alternative Investments	7%	2.65% - 7.35%
Cash Equivalents	1%	2.25%
Total	100%	

Single Discount Rate

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

1. a long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

2. tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the federal reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.31%, and the resulting single discount rate is 7.50%.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) – (B)
Balances as of December 31, 2016	$ 8,196,892	$ 6,670,687	$ 1,526,205
Changes for the year:			
Service cost	288,394	–	288,394
Interest on the total pension liability	614,142	–	614,142
Changes of benefit terms	–	–	–
Differences between expected and actual experience of the total pension liability	368,455	–	368,455
Changes of assumptions	(256,839)	–	(256,839)
Contributions - employer	–	513,006	(513,006)
Contributions - employees	–	187,572	(187,572)
Net investment income	–	1,079,095	(1,079,095)
Benefit payment, including refunds of employee contributions	(308,080)	(308,080)	–
Other (net transfer)	–	(5,742)	5,742
Net Changes	706,072	1,465,851	(759,779)
Balances as of December 31, 2017	$ 8,902,964	$ 8,136,538	$ 766,426

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	1% Lower 6.50%	Current Discount 7.50%	1% Higher 8.50%
Net Pension Liability (Asset)	$ 1,974,485	$ 766,426	$ (212,295)

NOTE 4 RETIREMENT FUND COMMITMENTS (Continued)

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

For the year ended June 30, 2018, the Center recognized pension benefit of $468,230. At June 30, 2018, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Deferred amounts to be recognized in pension expense in future periods		
Difference between expected and actual experience	$ 301,734	$ 408,615
Changes in assumptions	–	210,330
Net difference between projected and actual earnings on pension plan investments	–	1,234,842
Total deferred amounts to be recognized in pension expense in future periods	301,734	1,853,787
Pension contributions made subsequent to the measurement date	247,209	–
Total deferred amounts related to pension	$ 548,943	$ 1,853,787

$247,209 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending June 30	Net Deferred Outflows (Inflows) of Resources
2019	$ (723,011)
2020	(481,726)
2021	(263,299)
2022	(94,573)
Thereafter	10,556
Total	$ (1,552,053)

NOTE 5 OTHER POST EMPLOYMENT BENEFITS

Teachers' Health Insurance Security Fund

THIS Plan Description

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

Benefits Provided

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

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

On-behalf contributions to the THIS Fund

The State of Illinois makes employer retiree health insurance contributions on behalf of the Center. For the year ended June 30, 2018, State of Illinois contributions recognized by the Center were based on the State's proportionate share of the collective net OPEB liability associated with the Center, and recognized revenue and expenditures of $197,733 in OPEB contributions from the State of Illinois.

NOTE 5 OTHER POST EMPLOYMENT BENEFITS (Continued)

Employer contributions to the THIS Fund

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

Further information on the THIS Fund

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

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.75%
Salary increases	Depends on service and ranges from 9.25% at 1 year of service to 3.25% at 20 or more years of service. Salary increase includes a 3.25% wage inflation assumption
Investment rate of return	0%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.00% for non-Medicare costs and post-Medicare costs, respectively, and gradually decreases to an ultimate trend of 4.50%. Additional trend rate of 0.59% is added to non-Medicare costs on and after 2020 to account for the Excise Tax.

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

NOTE 5 OTHER POST EMPLOYMENT BENEFITS (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2014.

Single Discount Rate

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

Since the THIS fund is financed on a pay-as-you-go basis, the sponsor has selected a discount rate consistent with the 20-year general obligation bond index described above. The discount rates are 2.85 percent as of June 30, 2016, and 3.56 percent as of June 30, 2017.

Sensitivity of the employer's proportionate share of the collective net OPEB liability to changes in the discount rate

The following presents the Center's proportionate share of the collective net OPEB liability, as well as what the ROE's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Center's proportionate share of the collective net OPEB liability	$ 2,546,234	$ 2,121,872	$ 1,782,313

Sensitivity of the employer's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates

The following table shows the Center's net OPEB liability as of June 30, 2017, using current trend rates and sensitivity trend rates that are either 1-percentage-point higher or lower. The key trend rates are 8.00% in 2018 decreasing to an ultimate trend rate of 5.09% in 2025, for non-Medicare coverage, and 9.00% in 2018 decreasing to an ultimate trend rate of 4.50% in 2027 for Medicare coverage.

NOTE 5 OTHER POST EMPLOYMENT BENEFITS (Continued)

	1% Decrease[a]	Healthcare Cost Trend Rates	1% Increase[b]
Center's proportionate share of the collective net OPEB liability	$ 1,712,567	$ 2,121,872	$ 2,709,357

[a] *One percentage point decrease in healthcare trend rates are 7.00% in 2018 decreasing to an ultimate rate of 4.09% in 2025 for non-Medicare coverage, and 8.00% in 2018 decreasing to an ultimate trend rate of 3.50% in 2027 for Medicare coverage.*

[b] *One percentage point increase in healthcare trend rates are 9.00% in 2018 decreasing to an ultimate trend rate of 6.09% in 2025, for non-Medicare coverage, and 10.00% in 2018 decreasing to an ultimate trend rate of 5.50% in 2027 for Medicare coverage.*

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

At June 30, 2018, the Center reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the Center. The amount recognized by the Center as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Center were as follow:

Center's proportionate share of the net OPEB liability	$	2,121,872
State's proportionate share of the net OPEB liability associated with the Center		2,786,556
Total	$	4,908,428

The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2016, and was rolled forward to the June 30, 2017 measurement date. The Center's proportion of the collective net OPEB liability was based on a projection of the Center's long-term share of contributions to the OPEB plan relative to the projected contributions of the Center, actuarially determined. At June 30, 2017, the Center proportion was 0.008177 percent, which was an increase of 0.001495 percent from its proportion measured as of June 30, 2016 (0.006682 percent). The State's support and total are for disclosure purposes only.

For the year ended June 30, 2018, the Center recognized OPEB expense of $197,733 and revenue of $197,733 for the support provided by the State. For the year ended June 30, 2018, the Center recognized OPEB expense of $174,171. At June 30, 2018, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 5 OTHER POST EMPLOYMENT BENEFITS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ –	$ 1,202
Changes of assumptions	–	252,637
Net difference between projected and actual earnings on OPEB plan investments	–	23
Changes in proportion and differences between employer contributions and proportionate share of contributions	107,095	–
Employer contributions subsequent to the measurement date	13,401	–
Total	$ 120,496	$ 253,862

$13,401 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Center's OPEB expense as follows:

Year Ending June 30,	Net Deferred Inflows of Resources
2019	$ (22,548)
2020	(22,548)
2021	(22,548)
2022	(22,547)
2023	(22,542)
Thereafter	(34,034)
Total	$ (146,767)

THIS Fiduciary Net Position

Detailed information about the THIS Fund fiduciary net position as of June 30, 2017, is available in the separately issued THIS Financial Report.

NOTE 5 OTHER POST EMPLOYMENT BENEFITS (Continued)

Postretirement Health Plan

Plan Description

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

Eligibility Provisions

Full-Time Employees - IMRF

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

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

Full-Time Employees - TRS

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

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

Benefits Provided

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

NOTE 5 OTHER POST EMPLOYMENT BENEFITS (Continued)

Participant Data

At June 30, 2018, participant data consisted of:

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

Funding Policy and Contributions

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

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

Contributions from other Center resources and benefit payments from other Center resources of $12,511 refers to contributions made to and benefit payments made from the OPEB Plan that were not directly made to or from the OPEB Trust.

Total OPEB Liability

The total OPEB liability for the current fiscal year has been developed based on the July 1, 2018 actuarial valuation date and measurement date as of June 30, 2018.

Actuarial Assumptions

Discount Rate used for the Total OPEB Liability	3.87%
Long-Term Expected Rate of Return on Plan Assets	N/A
High Quality 20 Year Tax-Exempt G.O. Bond Rate	3.87%
Salary Increases	2.75%
Annual Blended Premiums	HMO BA: Premiums charged for coverage of retiree and spouse, under age 65, are $6,261 and $6,002, respectively. After age of 65, premium charged for

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (Continued)

	coverage of retiree and spouse was $6,261 and $6,260, respectively. HMO-I: Premiums charged for coverage of retiree and spouse, under age 65, are $7,034 and $6,744, respectively. After age of 65, premium charged for coverage of retiree and spouse was $7,034. PPO: Premiums charged for coverage of retiree and spouse, under age 65, are $9,528 and $16,683, respectively. After age of 65, premium charged for coverage of retiree and spouse was $9,528.
Healthcare Trend Rates	HMO BA: First-year trend of -2.00%, second-year trend of 5.30%, third-year trend of 5.00%, and ultimate trend of 5.00%. HMO-I: First-year trend of -2.00%, second-year trend of 5.30%, third-year trend of 5.00%, and ultimate trend of 5.00%. PPO: First-year trend of -0.10%, second-year trend of 1.80%, third-year trend of 5.00%, and ultimate trend of 5.00%.

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (Continued)

Retiree Contribution Rates	Same as Healthcare Trend Rates
Mortality Rates	IMRF Mortality was based on the RP-2014 Study, with Blue Collar Adjustment and MP-2016 Improvement, weighted per IMRF Experience Study Report dated November 8, 2017. TRS Mortality was based on the RP-2014 Study, with White Collar Adjustment and MP-2017 Improvement, weighted per TRS Experience Study Report dated September 18, 2018.

The retirement, termination and disability rates for IMRF and TRS employees are based on rates from IMRF Experience Study Report dated November 8, 2017 and TRS Experience Study Report dated September 18, 2018, respectively.

Changes in Total OPEB Liability

	Total OPEB Liability	OPEB Plan Net Position	Net OPEB Liability
Balances as of July 1, 2017	$ 153,095	$ –	$ 153,095
Changes for the year:			
Service Cost	12,291	–	12,291
Interest	5,258	–	5,258
Changes of Benefit Terms	–	–	–
Differences Between Expected and Actual Experience of the Total Pension Liability	–	–	–
Changes of Assumptions	(3,088)	–	(3,088)
Contributions - Employer	–	12,511	(12,511)
Contributions - Employees	–	–	–
Net Investment Income	–		–
Benefit Payments	(12,511)	(12,511)	–
Administrative Expense	–	–	–
Net Changes	1,950	–	1,950
Balances as of June 30, 2018	$ 155,045	$ –	$ 155,045

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate

The discount rate used in the determination of the Total OPEB Liability is based on a combination of the Expected Long-Term Rate of Return on Plan Assets and the Municipal Bond Rate. If the Employer does not have a trust dedicated exclusively to the payment of OPEB benefits, as is the case with the Center, then only the Municipal Bond Rate is used in determining the Total OPEB Liability.

If the postretirement plan is funded, cash flow projections are used to determine the extent which the plan's future Net Position will be able to cover future benefit payments. To the extent future benefit payments are covered by the plan's projected Net Position, the expected rate of return on plan investments is used to determine the portion of the Net OPEB Liability associated with those payments. To the extent future benefit payments are not covered by the plan's projected Net Position, the Municipal Bond Rate is used to determine the portion of the Net OPEB Liability associated with those payments.

Projected benefit payments are determined during the valuation process based on the assumptions. The expected contributions are based on the funding policy of the plan.

Municipal Bond Rate

The Municipal Bond Rate assumption is based on The Bond Buyer 20-Bond GO Index. The rate as of June 30, 2018 is 3.87%. The 20-Bond GO Index is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA.

The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

The indexes represent theoretical yields rather than actual price or yield quotations. Municipal bond traders are asked to estimate what a current-coupon bond for each issuer in the indexes would yield if the bond was sold at par value. The indexes are simple averages of the average estimated yield of the bonds.

Sensitivity of the Discount Rate

The following presents the Center's Total OPEB liability calculated using a discount rate of 3.87%, as well as what the Center's Total OPEB liability would be if it were calculated using a single discount rate that is 1-percentage-point higher (4.87%) or 1-percentage-point lower (2.87%) than the current discount rate:

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (Continued)

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Center's Total OPEB Liability	$ 166,150	$ 155,045	$ 145,072

The sensitivity of the Total OPEB Liability to the discount rate is based primarily on two factors:

1. The duration of the plan's expected benefit payments. Younger plans with benefit payments further in the future will be more sensitive to changes in the discount rate.

2. The funded percentage of the plan (ratio of the Net Position to the Total OPEB Liability). The higher the funded percentage, the higher the sensitivity to the discount rate.

Sensitivity of the Healthcare Trend Rate

The following presents the Center's Total OPEB liability, calculated using the healthcare cost trend rates as well as what the Center's OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (see Actuarial Assumptions).

	1% Decrease (Varies)	Healthcare Cost Trend Rates (Varies)	1% Increase (Varies)
Center's Total OPEB Liability	$ 142,102	$ 155,045	$ 170,384

For the year ended June 30, 2018, the Center recognized OPEB expense of $17,396. At June 30, 2018, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ –	$ –
Changes of assumptions	–	2,935
Net difference between projected and actual earnings on OPEB plan investments	–	–
Earnings on postretirement plan investments	–	–
Employer contributions subsequent to the measurement date	–	–
Total deferred amounts related to OPEB	$ –	$ 2,935

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions subsequent to the measurement date may be recognized as a reduction to the net OPEB liability. The amount is not known as of the date of this report. Subsequent to the measurement date, the following amounts will be recognized in the OPEB expense in the upcoming years:

Year Ending June 30,	Net Deferred Inflows of Resources	
2019	$	(153)
2020		(153)
2021		(153)
2022		(153)
2023		(153)
Thereafter		(2,170)
Total	$	(2,935)

NOTE 6 ON-BEHALF CONTRIBUTIONS

The State of Illinois paid the following salaries and benefits of the Executive Director and Assistant Executive Director on behalf of the Center:

Executive Director Salary	$	57,588
Executive Director Fringe Benefits		11,448
Assistant Executive Director Salary		51,828
Assistant Executive Director Fringe Benefits		3,288
Total	$	124,151

Salary and benefit data for the Executive Director and Assistant Executive Director was calculated based on data provided by the Illinois State Board of Education (ISBE). The on-behalf payments are reflected as revenues and expenditures of the General Fund.

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

Center's share of THIS OPEB expense	$	197,733
Center's share of TRS pension expense		4,759,825
Total	$	4,957,558

The Center recorded $4,759,825 in revenue and expenses as on-behalf payment from ISBE for the Center's share of the State's TRS pension expense and $197,733 in revenue and expenses as on-behalf payments from the THIS fund for the Center's share of the OPEB expense in the Statement of Activities.

NOTE 7 INTERFUND ACTIVITIES

(a) Due From (To) Other Funds

As of June 30, 2018, amounts due from (to) other funds consist of the following:

Fund	Due From Other Funds	Due To Other Funds
General Fund	$ 187,713	$ –
Education Fund	–	187,713
Total	$ 187,713	$ 187,713

The amount due from and to the funds resulted from interfund borrowing to cover short-term cash deficit.

(b) Transfers From (To) Other Funds

The composition of interfund transfers during FY 2018 is as follows:

Fund	Transfers-in	Transfers-out
General Fund	$ –	$ 1,484
Education Fund	1,484	–
Total	$ 1,484	$ 1,484

In FY 2018, the Center made interfund transfers to finance various operating expenditures accounted for in Education Fund.

NOTE 8 DUE FROM/TO OTHER GOVERNMENTS

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

Due from Other Governmental Agencies:	
Illinois State Board of Education	$ 415,722
Others	46,608
Total	$ 462,330
Due to Other Governmental Agencies:	
Local school districts	$ 23,180
Others	2,619
Total	$ 25,799

NOTE 9 LINE OF CREDIT

On June 25, 2018, the Center secured a loan from the Community Bank of Oak Park River Forest totaling $2,500,000 to help subsidize operating expenses while waiting for reimbursements from various funding resources. The loan bears an interest rate of 4% and matures on June 25, 2020. The Center placed $100,000 of the loan into an interest reserve, which is an estimate of the interest due on the loan. The Center had borrowings outstanding totaling $2,500,000 as of June 30, 2018.

The loan was paid in full on January 24, 2020.

NOTE 10 NON-CANCELABLE OPERATING LEASES

Lease Commitment - Hillside - Main Offices

On February 26, 2013 the Center leased a commercial building for its main offices. During December 2014, the lease was amended to add additional space. The sixty month lease began on June 1, 2013 and provides for the lease and the "Expansion Space" per the amendment by the Center of approximately 7,500 square feet of space plus the Expansion Space of 2,249 square feet for a total of 9,749 square feet in Hillside, Illinois. Base annual rent is initially set at $7,500 plus $2,316 for the Expansion Space per month with a 3% annual increase. The Center is responsible for common area maintenance and its pro-rata share of real estate taxes. The Center has an option to extend the term of the lease for an additional five year period with respect to the entire premises.

During June 2018, the Center renewed its lease for the 7,500 rentable square feet. The Center terminated its lease for the additional 2,249 square feet effective July 31, 2018. Lease expense for the year ended June 30, 2018, amounted to $131,890.

Minimum future rental payments under the non-cancelable lease for the years subsequent to June 30, 2018 are as follows:

Year Ended June 30	Amount
2019	$ 114,684
2020	96,602
Total	$ 211,286

Lease Commitment - Hillside - Harbor Academy

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

NOTE 10 NON-CANCELABLE OPERATING LEASES (Continued)

six years on February 6, 2017. Lease expense for the year ended June 30, 2018, amounted to $101,658.

Minimum future rental payments under the non-cancelable lease for the years subsequent to June 30, 2018 are as follows:

Year Ended June 30	Amount
2019	$ 101,658
2020	104,708
2021	107,849
2022	111,083
Total	$ 425,298

NOTE 11 LONG-TERM LIABILITIES

Noncurrent liabilities activities for the year ended June 30, 2018, were as follows:

	Balance 6/30/17	**Additions**	**Deletions**	**Balance 6/30/18**
Accrued compensated absences	$ 138,699	$ 54,759	$ -	$ 193,458
Line of credit	-	2,500,000	-	2,500,000
Net pension liability - TRS	1,505,690	90,494	-	1,596,184
Net pension liability - IMRF	1,526,205	-	759,779	766,426
Total net pension liability	3,031,895	90,494	759,779	2,362,610
OPEB liability	2,247,563	29,354	-	2,276,917
Total noncurrent liabilities	$ 5,418,157	$ 2,674,607	$ 759,779	$ 7,332,985

NOTE 12 NEW ACCOUNTING PRONOUNCEMENTS

During fiscal year 2018, the Center implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*; GASB Statement No. 81, *Irrevocable Split-Interest Agreements*; GASB Statement No. 85, *Omnibus 2017*; and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The implementation of GASB Statement No. 75 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses and identified the note disclosure and Required Supplementary Information reporting requirements for OPEB. The implementation of GASB Statement No. 81 improved the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance. The implementation of GASB Statement No. 85 addressed

NOTE 12 NEW ACCOUNTING PRONOUNCEMENTS (Continued)

practice issues identified during the implementation and application of certain GASB statements such as issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits (pensions and other postemployment benefits). The implementation of GASB Statement No. 86 established uniform guidance for recognizing debt that is defeased in-substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing debt were acquired. The implementation of GASB Statement No. 75 resulted in prior period adjustment to net position in order to reflect the deferred outflows, inflows, and the related net OPEB liability. The implementation of GASB Statement Nos. 81, 85, and 86 had no impact on the Center's financial statements.

NOTE 13 DEFICIT FUND BALANCE

As of June 30, 2018, Education Fund has a deficit balance of $73,250.

The deficit in fund balance is mainly due to late payments of funding from the State. It is expected that this deficit will continue into the future.

NOTE 14 PRIOR PERIOD ADJUSTMENT

The Center implemented GASB Statement No. 75 and consequently recognized deferred outflows of resources, deferred inflows of resources, and total OPEB liability in the current year. The net opening balance of deferred outflows/inflows of resources - OPEB and total OPEB liability in the governmental activities was $0. Because these OPEB-related opening balances reflect OPEB expenses not previously recognized, the opening net position of the governmental activities on the government-wide Statement of Activities has been restated as follows:

	Governmental Activities Net Position	
Net Position, July 1, 2017, as previously reported	$	(4,212,088)
Cumulative effect of change in accounting principle		(2,247,563)
Net position, July 1, 2017, as restated	$	(6,459,651)

NOTE 15 SUBSEQUENT EVENT

As a result of the spread of the COVID-19 coronavirus pandemic, economic uncertainties have arisen, which may negatively impact the Center's operations and financial condition. The potential impact and duration of the pandemic is unknown as of the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Employer's Proportionate Share of the Net Pension Liability
Teachers' Retirement System of the State of Illinois†

	FY17*	FY16*	FY15*	FY14*
Employer's proportion of the net pension liability	0.0020892966%	0.0019074816%	0.0016878345%	0.0015892687%
Employer's proportionate share of the net pension liability	$ 1,596,184	$ 1,505,690	$ 1,105,701	$ 967,201
State's proportionate share of the net pension liability associated with the employer	48,364,734	27,085,961	44,283,339	35,569,690
Total	$ 49,960,918	$ 28,591,651	$ 45,389,040	$ 36,536,891
Employer's covered-employee payroll	$ 1,881,040	$ 1,644,239	$ 1,295,537	$ 867,564
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	84.9%	91.6%	85.4%	111.5%
Plan fiduciary net position as a percentage of the total pension liability	39.3%	36.4%	41.5%	43.0%

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

Schedule of Employer Contributions
Teachers' Retirement System of the State of Illinois†

	FY18	FY17	FY16	FY15	FY14
Statutorily-required contribution	$ 9,658	$ 86,263	$ 74,131	$ 59,274	$ 56,704
Contributions in relation to the statutorily-required contribution	9,658	86,263	74,131	59,274	56,704
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Employer's covered-employee payroll	$ 1,636,199	$ 1,881,040	$ 1,644,239	$ 1,295,537	$ 867,564
Contributions as a percentage of covered-employee payroll	0.59%	4.60%	4.50%	4.60%	6.50%

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

Notes to Required Supplementary Information

Changes of assumptions

For the 2017 and 2016 measurement years, the assumed investment rate of return was of 7.0 percent, including an inflation rate of 2.5 percent and a real return of 4.5 percent. Salary increases were assumed to vary by service credit.

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

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

Schedule of Changes in the Net Pension Liability and Related Ratios
Illinois Municipal Retirement Fund
Last Four Calendar Years

Calendar Year Ended December 31,	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ 288,394	$ 235,723	$ 194,196	$ 252,217
Interest on the total pension liability	614,142	633,484	597,548	525,303
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience of the total pension liability	368,455	(806,985)	(62,149)	64,720
Changes of assumptions	(256,839)	-	-	268,882
Benefit payments, including refunds of employer contributions	(308,080)	(390,590)	(150,459)	(85,867)
Net Change in Total Pension Liability	706,072	(328,368)	579,136	1,025,255
Total Pension Liability - Beginning	8,196,892	8,525,260	7,946,124	6,920,869
Total Pension Liability - Ending (A)	$8,902,964	$8,196,892	$8,525,260	$7,946,124
Plan Fiduciary Net Position				
Contributions - Employer	$ 513,006	$ 554,373	$ 379,234	$ 165,086
Contributions - Employees	187,572	177,118	84,776	77,210
Net investment income	1,079,095	1,319,890	591,351	1,457,672
Benefit payments, including refunds of employee contributions	(308,080)	(390,590)	(150,459)	(85,867)
Other (net transfer)	(5,742)	56	(84,547)	(19,237)
Net Change in Plan Fiduciary Net Position	1,465,851	1,660,847	820,355	1,594,864
Plan Fiduciary Net Position - Beginning	6,670,687	5,009,840	4,189,485	2,594,649
Plan Fiduciary Net Position - Ending (B)	$8,136,538	$6,670,687	$5,009,840	$4,189,513
Net Pension Liability - Ending (A) - (B)	$ 766,426	$1,526,205	$3,515,420	$3,756,611
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.39%	81.40%	58.80%	52.70%
Covered Payroll	$3,579,943	$2,450,983	$1,771,296	$1,605,894
Net Pension Liability as a Percentage of Covered Payroll	21.4%	62.3%	198.5%	233.9%

Notes to Schedule:

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

Schedule of Employer Contributions
Illinois Municipal Retirement Fund
Last Four Fiscal Years

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2018	$ 523,738	$ 523,738	$ -	$ 4,109,745	12.74%
2017	514,669	514,669	-	2,973,356	17.31%
2016	464,113	464,113	-	2,103,553	22.06%
2015	254,417	254,417	-	1,595,144	15.95%

Notes to Schedule of Contributions

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2017 Contribution Rate*

Valuation Date:

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

Methods and Assumptions Used to Determine 2017 Contribution Rates:

Actuarial Cost Method: Aggregate entry age normal

Amortization Method: Level percentage of payroll, closed

Remaining Amortization Period: 26-year closed period

Asset Valuation Method: 5-year smoothed market; 20% corridor

Wage Growth: 3.50%

Price Inflation: 2.75%, approximate; No explicit price inflation assumption is used in this valuation.

Salary Increases: 3.75% to 14.50%, including inflation

Investment Rate of Return: 7.50%

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.

Mortality: For non-disabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2015, actuarial valuation; note two-year lag between valuation and rate setting.

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

Intermediate Service Center No. 2
Required Supplementary Information
June 30, 2018

Schedule of the Employer's Proportionate Share of the Collective Net OPEB Liability
Teachers' Health Insurance Security Fund
Last Two Fiscal Years*

	2017	2016
Employer's proportion of the collective net OPEB liability	0.0081770000%	0.0066820000%
Employer's proportionate share of the collective net OPEB liability	$ 2,121,872	$ 2,110,269
State's proportionate share of the collective net OPEB liability	2,786,556	2,532,781
Total	$ 4,908,428	$ 4,643,050
Employer's covered payroll	1,881,040	1,644,239
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	112.8%	128.3%
Plan fiduciary net position as a percentage of the total OPEB liability	-0.17%	-0.22%

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

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

Schedule of Employer Contributions
Teachers' Health Insurance Security Fund
Last Three Fiscal Years

	2018	2017	2016
Statutorily-required contribution	$ 13,401	$ 15,801	$ 12,451
Contributions in relation to the statutorily-required contribution	13,401	15,801	12,451
Contribution deficiency (excess)	$ -	$ -	$ -
Employer's covered-employee payroll	$ 1,636,199	$ 1,881,040	$ 1,644,239
Contributions as a percentage of covered-employee payroll	0.82%	0.84%	0.76%

Changes in Benefit Terms - In the June 30, 2018 actuarial valuation, there have been no changes in benefit terms from the prior period.
Changes in Assumptions - Due to the implementation of GASB 75 in the June 30, 2018 actuarial valuation, the beginning Total OPEB Liability was based on the same assumptions, data, and plan provisions as the ending Total OPEB Liability. For the purpose of developing changes in the OPEB Liability for financial reporting there have been no changes in assumptions from the prior period.

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

Schedule of Changes in the Net OPEB Liability and Related Ratios
Postretirement Health Plan

Measurement Date		**June 30, 2018**
Total OPEB liability		
Service cost	$	12,291
Interest		5,258
Differences between expected and actual experience of the total pension (asset) liability		-
Changes of assumptions		(3,088)
Benefit payments		(12,511)
Net change in total OPEB liability		1,950
Total OPEB liability - beginning		153,095
Total OPEB liability - ending (A)	$	155,045
OPEB plan net position		
Contributions - employer	$	12,511
Contributions - employees		-
Net investment income		-
Benefit payments		(12,511)
Administrative expense		-
Net change in plan fiduciary net position		-
Plan fiduciary net position - beginning		-
Plan fiduciary net position - ending (B)	$	-
Net pension (asset) liability - ending (A) - (B)	$	155,045
Plan fiduciary net position as a percentage of the total pension liability		0.00%
Covered valuation payroll		N/A
Total OPEB liability as a percentage of covered valuation payroll		N/A

Notes to Schedule:

Changes of Benefit Term
There have been no changes of benefit terms for the prior period.

Changes of assumptions
The assumed rate on High Quality 20-year Tax-Exempt G.O. Bonds was changed from 3.58% to 3.87% for the current year. The underlying index used is the Bond Buyer 20-Bond GO Index. The choice of index is unchanged from the prior year. The rate has been updated to the current fiscal year end based on changes in market conditions. Since the Employer does not have a trust dedicated exclusively to the payment of OPEB benefits, the discount rate used in the determination of the Total OPEB Liability was also changed from 3.58% to 3.87%.

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

OTHER SUPPLEMENTARY INFORMATION

Intermediate Service Center No. 2
General Fund
Combining Schedule of Accounts
June 30, 2018
Schedule 1

	Local Sources	General State Aid/ RSSP Tuition	ALOP	Fingerprinting	Non-Public School Compliance Services	Total
ASSETS						
Cash and cash equivalents	$ -	$ -	$ 1,257,138	$ -	$ -	$ 1,257,138
Due from other governmental agencies	40,009	153,360	-	6,600	58,825	258,794
Due from other funds	29,968	101,970	1,118,786	-	-	1,250,724
TOTAL ASSETS	69,977	255,330	2,375,924	6,600	58,825	2,766,656
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)						
LIABILITIES						
Accounts payable and accrued expenses	48,910	3,356	10,722	1,158	-	64,146
Due to other governmental agencies	-	-	23,180	-	-	23,180
Due to other funds	963,124	-	698	1,823	97,366	1,063,011
Total liabilities	1,012,034	3,356	34,600	2,981	97,366	1,150,337
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	38,238	41,235	-	2,640	58,825	140,938
FUND BALANCES (DEFICIT)						
Restricted	100,000	-	-	-	-	100,000
Assigned	-	-	2,341,324	-	-	2,341,324
Unassigned	(1,080,295)	210,739	-	979	(97,366)	(965,943)
Total fund balances (deficit)	(980,295)	210,739	2,341,324	979	(97,366)	1,475,381
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)	$ 69,977	$ 255,330	$ 2,375,924	$ 6,600	$ 58,825	$ 2,766,656

Intermediate Service Center No. 2
General Fund
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018
Schedule 2

	Local Sources	General State Aid/ RSSP Tuition	ALOP	Fingerprinting	Non-Public School Compliance Services	Total
REVENUES						
State sources	$ -	$ 587,485	$ 5,534,388	$ -	$ 53,300	$ 6,175,173
Local sources	327,448	659,906	547,355	29,400	-	1,564,109
On-behalf payments - State	124,151	-	-	-	-	124,151
Total revenues	451,599	1,247,391	6,081,743	29,400	53,300	7,863,433
EXPENDITURES						
Instructional services:						
Salaries	477,165	857,869	3,477,574	23,809	13,954	4,850,371
Benefits	73,286	161,429	682,156	1,926	3,250	922,047
Pension expense	34,614	41,302	419,801	128	82	495,927
OPEB expense	13,879	5,018	2,219	-	125	21,241
Purchased services	1,001,918	165,290	257,331	12,960	46,851	1,484,350
Supplies and materials	122,882	14,241	52,319	-	-	189,442
On-behalf payments - State	124,151	-	-	-	-	124,151
Intergovernmental:						
Payments to other governments	11,190	125,000	-	-	-	136,190
Capital expenditures	17,766	5,443	56,280	1,863	-	81,352
Total expenditures	1,876,851	1,375,592	4,947,680	40,686	64,262	8,305,071
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,425,252)	(128,201)	1,134,063	(11,286)	(10,962)	(441,638)
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of line of credit	2,500,000	-	-	-	-	2,500,000
Transfers out	(1,484)	-	-	-	-	(1,484)
Total other financing sources (uses)	2,498,516	-	-	-	-	2,498,516
NET CHANGE IN FUND BALANCES	1,073,264	(128,201)	1,134,063	(11,286)	(10,962)	2,056,878
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	(2,053,559)	338,940	1,207,261	12,265	(86,404)	(581,497)
FUND BALANCES (DEFICIT), END OF YEAR	$ (980,295)	$ 210,739	$ 2,341,324	$ 979	$ (97,366)	$ 1,475,381

Intermediate Service Center No. 2
Education Fund
Combining Schedule of Accounts
June 30, 2018
Schedule 3

	West Cook Math Initiative	Response to Intervention	Multi-Tier System of Support	Technology for Success	State Free Lunch and Breakfast	School Breakfast Program	National School Lunch Program	I.S.C. Operations
ASSETS								
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Due from other governmental agencies	4,759	-	15,336	-	269	-	-	-
Due from other funds	7,308	-	-	3,376	-	-	-	-
TOTAL ASSETS	12,067	-	15,336	3,376	269	-	-	-
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)								
LIABILITIES								
Accounts payable and accrued expenses	-	-	2,394	-	-	-	-	-
Due to other funds	-	-	16,318	-	269	-	-	-
Total liabilities	-	-	18,712	-	269	-	-	-
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues	-	-	-	-	164	-	-	-
FUND BALANCES (DEFICIT)								
Assigned	12,067	-	-	3,376	-	-	-	-
Unassigned	-	-	(3,376)	-	(164)	-	-	-
Total fund balances (deficit)	12,067	-	(3,376)	3,376	(164)	-	-	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)	$ 12,067	$ -	$ 15,336	$ 3,376	$ 269	$ -	$ -	$ -

Intermediate Service Center No. 2
Education Fund
Combining Schedule of Accounts
June 30, 2018
Schedule 3 (Continued)

	RSSP	Truants Alternative & Optional Education Program	Title II - Teacher Quality - Leadership Grant	Title I - School Improvement and Accountability	Pilot Regional Safe School Cooperative Education Program	ESSA Non-Public Ombudsman	AdvancED	Total
ASSETS								
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Due from other governmental agencies	44,228	24,976	10,534	76,780	10,752	9,285	6,617	203,536
Due from other funds	-	-	-	-	-	-	-	10,684
TOTAL ASSETS	44,228	24,976	10,534	76,780	10,752	9,285	6,617	214,220
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)								
LIABILITIES								
Accounts payable and accrued expenses	1,202	-	-	-	160	-	-	3,756
Due to other funds	43,026	24,976	10,534	76,780	10,592	9,285	6,617	198,397
Total liabilities	44,228	24,976	10,534	76,780	10,752	9,285	6,617	202,153
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues	22,116	12,489	-	29,270	5,376	9,285	6,617	85,317
FUND BALANCES (DEFICIT)								
Assigned	-	-	-	-	-	-	-	15,443
Unassigned	(22,116)	(12,489)	-	(29,270)	(5,376)	(9,285)	(6,617)	(88,693)
Total fund balances (deficit)	(22,116)	(12,489)	-	(29,270)	(5,376)	(9,285)	(6,617)	(73,250)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)	$ 44,228	$ 24,976	$ 10,534	$ 76,780	$ 10,752	$ 9,285	$ 6,617	$ 214,220

Intermediate Service Center No. 2
Education Fund
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018
Schedule 4

	West Cook Math Initiative	Response to Intervention	Multi-Tier System of Support	Technology for Success	State Free Lunch and Breakfast	School Breakfast Program	National School Lunch Program	I.S.C. Operations
REVENUES								
Federal sources	$ -	$ 6,699	$ -	$ -	$ -	$ 9,859	$ 15,676	$ -
State sources	-	-	-	158,724	546	-	-	247,092
Local sources	14,013	-	55,372	-	-	-	-	-
Total revenues	14,013	6,699	55,372	158,724	546	9,859	15,676	247,092
EXPENDITURES								
Instructional services:								
Salaries	5,166	4,446	26,062	-	-	-	-	156,064
Benefits	892	64	1,725	-	-	-	-	29,484
Pension expense	956	-	1,431	-	-	-	-	13,856
OPEB expense	-	-	3	-	-	-	-	623
Purchased services	6,000	1,634	19,919	100,540	424	8,687	12,621	36,975
Supplies and materials	999	-	6,232	-	-	-	-	10,090
Capital expenditures	-	-	-	-	-	-	1,188	-
Total expenditures	14,013	6,144	55,372	100,540	424	8,687	13,809	247,092
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	555	-	58,184	122	1,172	1,867	-
OTHER FINANCING SOURCE (USE)								
Transfers in (out)	-	-	(3,376)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	555	(3,376)	58,184	122	1,172	1,867	-
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	12,067	(555)	-	(54,808)	(286)	(1,172)	(1,867)	-
FUND BALANCES (DEFICIT), END OF YEAR	$ 12,067	$ -	$ (3,376)	$ 3,376	$ (164)	$ -	$ -	$ -

Intermediate Service Center No. 2
Education Fund
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018
Schedule 4 (Continued)

	RSSP	Truants Alternative & Optional Education Program	Title II - Teacher Quality - Leadership Grant	Title I - School Improvement and Accountability	Pilot Regional Safe School Cooperative Education Program	ESSA Non-Public Ombudsman	AdvancED	Total
REVENUES								
Federal sources	$ -	$ -	$ 23,450	$ 211,212	$ -	$ -	$ -	$ 266,896
State sources	375,470	212,281	-	-	106,780	28,088	-	1,128,981
Local sources	-	-	-	-	-	-	-	69,385
Total revenues	375,470	212,281	23,450	211,212	106,780	28,088	-	1,465,262
EXPENDITURES								
Instructional services:								
Salaries	227,650	131,890	1,050	46,826	46,220	-	2,400	647,774
Benefits	22,952	11,820	132	9,456	8,200	-	453	85,178
Pension expense	1,569	1,286	68	7,260	278	-	302	27,006
OPEB expense	2,380	1,214	-	30	421	-	-	4,671
Purchased services	2,689	2,205	22,200	170,857	800	37,373	3,462	426,386
Supplies and materials	8,108	3,100	-	5,126	3,227	-	-	36,882
Capital expenditures	-	-	-	-	-	-	-	1,188
Total expenditures	265,348	151,515	23,450	239,555	59,146	37,373	6,617	1,229,085
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	110,122	60,766	-	(28,343)	47,634	(9,285)	(6,617)	236,177
OTHER FINANCING SOURCE (USE)								
Transfers in (out)	-	273	-	4,587	-	-	-	1,484
NET CHANGE IN FUND BALANCES	110,122	61,039	-	(23,756)	47,634	(9,285)	(6,617)	237,661
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	(132,238)	(73,528)	-	(5,514)	(53,010)	-	-	(310,911)
FUND BALANCES (DEFICIT), END OF YEAR	$ (22,116)	$ (12,489)	$ -	$ (29,270)	$ (5,376)	$ (9,285)	$ (6,617)	$ (73,250)

Intermediate Service Center No. 2
Education Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018
Schedule 5

	I.S.C. Operations			RSSP			Truants Alternative & Optional Education Program		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Federal sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State sources	247,092	247,092	-	265,348	375,470	110,122	149,846	212,281	62,435
Total revenues	247,092	247,092	-	265,348	375,470	110,122	149,846	212,281	62,435
EXPENDITURES									
Instructional services:									
Salaries	156,064	156,064	-	227,650	227,650	-	131,614	131,890	(276)
Benefits	43,963	29,484	14,479	26,901	22,952	3,949	14,430	11,820	2,610
Pension expense	-	13,856	(13,856)	-	1,569	(1,569)	-	1,286	(1,286)
OPEB expense	-	623	(623)	-	2,380	(2,380)	-	1,214	(1,214)
Purchased services	36,975	36,975	-	2,600	2,689	(89)	2,302	2,205	97
Supplies and materials	10,090	10,090	-	8,197	8,108	89	1,500	3,100	(1,600)
Total expenditures	247,092	247,092	-	265,348	265,348	-	149,846	151,515	(1,669)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ -	-	$ -	$ -	110,122	$ 110,122	$ -	60,766	$ 60,766
OTHER FINANCING SOURCE									
Transfers in		-			-			273	
NET CHANGE IN FUND BALANCES		-			110,122			61,039	
FUND BALANCES (DEFICIT), BEGINNING OF YEAR		-			(132,238)			(73,528)	
FUND BALANCES (DEFICIT), END OF YEAR		$ -			$ (22,116)			$ (12,489)	

Intermediate Service Center No. 2
Education Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018
Schedule 5 (Continued)

	Title II - Teacher Quality - Leadership Grant			Title I - School Improvement and Accountability			Pilot Regional Safe School Cooperative Education Program			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES												
Federal sources	$ 24,358	$ 23,450	$ (908)	$ 190,000	$ 211,212	$ 21,212	$ -	$ -	$ -	$ 214,358	$ 234,662	$ 20,304
State sources	-	-	-	-	-	-	59,146	106,780	47,634	721,432	941,623	220,191
Total revenues	24,358	23,450	(908)	190,000	211,212	21,212	59,146	106,780	47,634	935,790	1,176,285	240,495
EXPENDITURES												
Instructional services:												
Salaries	1,050	1,050	-	36,000	46,826	(10,826)	46,220	46,220	-	598,598	609,700	(11,102)
Benefits	200	132	68	13,650	9,456	4,194	9,130	8,200	930	108,274	82,044	26,230
Pension expense	-	68	(68)	-	7,260	(7,260)	-	278	(278)	-	24,317	(24,317)
OPEB expense	-	-	-	-	30	(30)	-	421	(421)	-	4,668	(4,668)
Purchased services	23,108	22,200	908	116,030	170,857	(54,827)	800	800	-	181,815	235,726	(53,911)
Supplies and materials	-	-	-	24,320	5,126	19,194	2,996	3,227	(231)	47,103	29,651	17,452
Total expenditures	24,358	23,450	908	190,000	239,555	(49,555)	59,146	59,146	-	935,790	986,106	(50,316)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ -	-	$ -	$ -	(28,343)	$ (28,343)	$ -	47,634	$ 47,634	$ -	190,179	$ 190,179
OTHER FINANCING SOURCE												
Transfers in		-			4,587			-			4,860	
NET CHANGE IN FUND BALANCES		-			(23,756)			47,634			195,039	
FUND BALANCES (DEFICIT), BEGINNING OF YEAR		-			(5,514)			(53,010)			(264,290)	
FUND BALANCES (DEFICIT), END OF YEAR		$ -			$ (29,270)			$ (5,376)			$ (69,251)	