

STATE OF ILLINOIS  
NORTH COOK  
INTERMEDIATE SERVICE CENTER NO. 1  
FINANCIAL AUDIT  
(IN ACCORDANCE WITH THE SINGLE AUDIT ACT  
AND OMB CIRCULAR A-133)  
FOR THE YEAR ENDED JUNE 30, 2011  
  
PERFORMED AS SPECIAL ASSISTANT AUDITORS  
FOR THE OFFICE OF THE AUDITOR GENERAL

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
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**OFFICIALS**

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**

Executive Director	(Current and during audit period)	Mr. Robert Ingraffia
Administrative Assistant	(Current and during audit period)	Ms. Cindy Cirillo
Business Manager	(Current and during audit period)	Mr. Ronald Chilcote
Accounting Coordinator	(Current and during audit period)	Ms. Robyn Schiferl

Offices are located at:

Continental Office Plaza  
2340 Des Plaines River Rd. Suite 414  
Des Plaines, IL 60018-3292

**COMPLIANCE REPORT**  
**SUMMARY**

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

**AUDITORS' REPORTS**

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

**SUMMARY OF AUDIT FINDINGS**

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

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

**SUMMARY OF FINDINGS AND QUESTIONED COSTS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
11-1	11	Inadequate Documentation for Payroll Expenditures	Significant Deficiency and Noncompliance
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)			
11-1	11	Inadequate Documentation for Payroll Expenditures	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

-N/A-

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

-N/A-

**EXIT CONFERENCE**

The Center waived having an exit conference per a letter dated February 22, 2012.

**FINANCIAL STATEMENT**  
**REPORT SUMMARY**

The audit of the accompanying basic financial statements of North Cook Intermediate Service Center No. 1 was performed by Bass, Solomon & Dowell, LLP.

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

**INDEPENDENT AUDITORS' REPORT**

Honorable William G. Holland  
Auditor General  
State of Illinois

Board of Directors  
North Cook Intermediate Service Center No. 1

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Cook Intermediate Service Center No. 1, as of and for the year ended June 30, 2011, which collectively comprise the North Cook Intermediate Service Center No. 1's basic financial statements as listed in the table of contents. These financial statements are the responsibility of North Cook Intermediate Service Center No. 1's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Cook Intermediate Service Center No. 1, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

North Cook Intermediate Service Center No. 1 adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended June 30, 2011. The statement changed the classifications of governmental fund balances and clarified the definitions of existing fund types. The adoption of this statement had no effect on any of North Cook Intermediate Service Center No. 1's governmental funds' assets or liabilities nor was there any effect to the total amount of any of the North Cook Intermediate Service Center No. 1's governmental fund balances as of and for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2012 on our consideration of North Cook Intermediate Service Center No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, the Illinois Municipal Retirement Fund Schedule of Funding Progress and the Post Employment Benefits other than Pensions Schedule of Funding Progress, on pages 16 through 19, page 47, and page 48, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Cook Intermediate Service Center No. 1's basic financial statements. The Budgetary Comparison Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements of North Cook Intermediate Service Center No. 1. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Budgetary Comparison Schedule and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Bass, Selvaon & Duell, LLP*

Palatine, Illinois  
February 28, 2012



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

Honorable William G. Holland  
Auditor General  
State of Illinois

Board of Directors  
North Cook Intermediate Service Center No. 1

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Cook Intermediate Service Center No. 1, as of and for the year ended June 30, 2011, which collectively comprise the North Cook Intermediate Service Center No. 1's basic financial statements and have issued our report thereon dated February 28, 2012. 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.

**Internal Control Over Financial Reporting**

Management of North Cook Intermediate Service Center No. 1 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered North Cook Intermediate Service Center No. 1's internal control over financial reporting as a basis for designing our auditing procedures 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 North Cook Intermediate Service Center No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

*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 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.

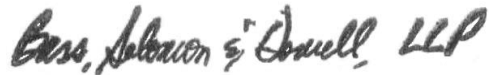
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in finding 11-1 in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting. 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 charge with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Cook Intermediate Service Center No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Question Costs as item 11-1.

Intermediate Service Center No. 1's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Intermediate Service Center No. 1's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the organization, the Illinois State Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Palatine, Illinois  
February 28, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable William G. Holland  
Auditor General  
State of Illinois

Board of Directors  
North Cook Intermediate Service Center No. 1

**Compliance**

We have audited the North Cook Intermediate Service Center No. 1's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of North Cook Intermediate Service Center No. 1's major federal programs for the year ended June 30, 2011. North Cook Intermediate Service Center No. 1's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of North Cook Intermediate Service Center No. 1's management. Our responsibility is to express an opinion on North Cook Intermediate Service Center No. 1's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Cook Intermediate Service Center No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on North Cook Intermediate Service Center No. 1's compliance with those requirements.

In our opinion, North Cook Intermediate Service Center No. 1 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB-Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 11-1.

**Internal Control Over Compliance**

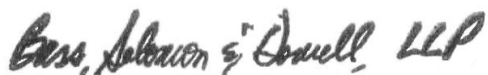
Management of North Cook Intermediate Service Center No. 1 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered North Cook Intermediate Service Center No. 1's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Cook Intermediate Service Center No. 1's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a *significant deficiency* as described in the accompanying Schedule of Findings and Questioned Costs as item 11-1. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of a compliance requirement of a federal program that is less than severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

North Cook Intermediate Service Center No. 1's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit North Cook Intermediate Service Center No. 1's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the organization, Illinois State Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Palatine, Illinois  
February 28, 2012

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2011

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**Section 1 - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?                    yes       X       no
- Significant deficiencies identified not considered to be material weaknesses?       X       yes                    none reported
- Noncompliance material to financial statements noted?       X       yes                    no

**Federal Award:**

Internal Control over major programs:

- Material weakness(es) identified?                    yes       X       no
- Significant deficiencies identified not considered to be material weaknesses?       X       yes                    none reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?       X       yes                    no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010A</u>	Title I Grants to Local Educational Agencies Cluster:
<u>84.389</u>	<u>Title I - School Improvement &amp; Accountability</u>
<u>                  </u>	<u>Title I - Grants to Local Educational Agencies, Recovery Act</u>
<u>                  </u>	<u>                  </u>
<u>                  </u>	<u>                  </u>

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?       X       yes                    no

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2011

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**Section II – Financial Statement Findings**

**Finding No. 11-1 – Inadequate Documentation for Payroll Expenditures**

Federal Program Name: Title I – School Improvement and Accountability  
Project No.: 2011-4331-SS  
CFDA No.: 84.010A  
Passed Through: Illinois State Board of Education  
Federal Agency: U.S. Department of Education

Federal Program Name: Title I – Grants to Local Educational Agencies, Recovery Act  
Project No.: 2011-4854-00  
CFDA No.: 84.389  
Passed Through: Illinois State Board of Education  
Federal Agency: U.S. Department of Education

*Criteria/Specific requirement:*

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally recognized Indian tribal governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require that expenditures be allocable, reasonable, and supported by adequate documentation.

OMB Circular A-87 requires that all employees charged to federal grants maintain time and effort reporting. There are two types of required time and effort records; semi-annual certifications and detailed monthly reports. The type of record that must be kept is based on the job responsibilities of the individual charged to the grant. The job responsibilities are referred to as either single cost objective or multiple cost objectives. The difference between these two cost objectives is determined on what activities an employee works, not how the employee is funded.

Costs are allocable to federal awards if the goods or services involved are chargeable or assignable to the award in accordance with the relative benefits received. Where an accumulation of indirect costs will ultimately result in charges to a federal award, a cost allocation plan is required as described in OMB Circular A-87, Attachment B, paragraphs 8.h.(4),(5), and (6).

*Condition:*

North Cook Intermediate Service Center No. 1 did not maintain adequate time and effort statements to allocate indirect costs in accordance with OMB Circular A-87. Salary and benefits for administrative employees were charged to the Title I – School Improvement and Accountability and Title I – Grants to Local Educational Agencies, Recovery Act programs based on amounts calculated for budget purposes rather than costs based on actual time and effort reports.

*Questioned Costs:*

The amount of questioned costs cannot be determined without preparing a cost allocation plan.

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2011

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**Section II – Financial Statement Findings (Continued)**

**Finding No. 11-1 – Inadequate Documentation for Payroll Expenditures (Continued)**

*Context:*

North Cook Intermediate Service Center No. 1 allocated a total of \$69,097 of indirect compensation costs to the above programs. While these costs were approved in the grant budgets, without acceptable documentation of the basis for, and rationale behind the allocations, the amounts over or under charged to the programs cannot be readily determined. Based on the total amount of allocated costs charged to the programs, any amount deemed to be over charged to the award most likely would be considered immaterial.

*Effect:*

North Cook Intermediate Service Center No. 1 is not able to determine if the amount of indirect compensation charged to both Title I programs represents the grant's "fair share" of costs recognized under principles required by OMB Circular A-87.

*Cause:*

North Cook Intermediate Service Center No. 1 determined the amount of costs to be allocated to the grant programs based on amounts allowable in grant budgets.

*Recommendation :*

North Cook Intermediate Service Center No. 1 should develop and implement adequate policies and procedures to ensure compliance with the Allowable Costs/Cost Principles of the OMB Circular A-133 Compliance Supplement and Cost Principles of OMB Circular A-87 for Compensation for Personnel Services. These policies and procedures should include requiring staff involved in multiple programs to submit time sheets by program or a time and effort report by program. North Cook Intermediate Service Center No. 1 should also establish a payroll cost allocation procedure that allows for computation and comparison of actual time charged with budgeted time or allocation rates on a regular basis. Payroll charges by program should be based on the time devoted and identified specifically to the performance of those programs.

*Management's Response:*

After discussing the finding with the Illinois State Board of Education, North Cook Intermediate Service Center No. 1 agrees with this finding and began developing and implementing adequate policies and procedures to ensure compliance with the Allowable Costs/Cost Principles of the OMB Circular A-133 Compliance Supplement and Cost Principles of OMB Circular A-87 for Compensation for Personnel Services. Starting in fiscal year 2012, North Cook Intermediate Service Center No. 1 will be modifying the budget for its various programs to eliminate administrative function support from the budget.

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2011

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**Section III – Federal Award Findings**

Instances of Noncompliance

**Finding No. 11-1 – Inadequate Documentation for Payroll Expenditures – (Finding details on page 11)**

Significant Deficiency

**Finding No. 11-1 – Inadequate Documentation for Payroll Expenditures – (Finding details on page 11)**



**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Corrective Action Plan for Current Year Audit Finding**  
Year Ended June 30, 2011

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Corrective Action Plan

**Finding No. 11-1 – Inadequate Documentation for Payroll Expenditures**

Federal Program Name: Title I – School Improvement and Accountability  
Project No.: 2011-4331-SS  
CFDA No.: 84.010A  
Passed Through: Illinois State Board of Education  
Federal Agency: U.S. Department of Education

Federal Program Name: Title I – Grants to Local Educational Agencies, Recovery Act  
Project No.: 2011-4854-00  
CFDA No.: 84.389  
Passed Through: Illinois State Board of Education  
Federal Agency: U.S. Department of Education

**Condition :**

North Cook Intermediate Service Center No. 1 did not maintain adequate time and effort statements to allocate indirect costs in accordance with OMB Circular A-87. Salary and benefits for administrative employees were charged to the Title I – School Improvement and Accountability and Title I – Grants to Local Educational Agencies, Recovery Act programs based on amounts calculated for budget purposes rather than costs based on actual time and effort reports.

**Corrective Action Plan:**

After discussing the finding with the Illinois State Board of Education, North Cook Intermediate Service Center No. 1 agrees with this finding and began developing and implementing adequate policies and procedures to ensure compliance with the Allowable Costs/Cost Principles of the OMB Circular A-133 Compliance Supplement and Cost Principles of OMB Circular A-87 for Compensation for Personnel Services. Starting in fiscal year 2012, North Cook Intermediate Service Center No. 1 will be modifying the budget for its various programs to eliminate administrative function support from the budget.

**Anticipated Date of Completion:**

The Center will implement the corrective action plan immediately

**Name of Contact Person:**

Ronald Chilcote, Business Manager

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**

**Summary Schedule of Prior Audit Findings**

Year Ended June 30, 2011

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Finding Number

Condition

Current Status

-N/A-

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(REQUIRED SUPPLEMENTARY INFORMATION)

# **NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**

## **Required Supplementary Information**

### **Management Discussion and Analysis**

Year Ended June 30, 2011

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As management of North Cook Intermediate Service Center No. 1, we offer the readers of the financial statements this narrative overview and analysis of the financial activities of North Cook Intermediate Service Center No. 1 for the year ended June 30, 2011.

Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 issued in June 1999. Certain comparative information between the current year (ended June 30, 2011) and the prior year (ended June 30, 2010) is required to be presented in the MD&A.

MD&A is provided at the beginning of the report to provide an overview of North Cook Intermediate Service Center No. 1's financial position at June 30, 2011 and the results of operations for the year. This summary should not be taken as a replacement for the audit report, which consists of the financial statements, notes to the financial statements, required and other supplementary information.

During fiscal year 2011, North Cook Intermediate Service Center No. 1 implemented Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which required certain programs and funds to be reclassified and the restatement of beginning fund balances as detailed in Note 1 in the financial statements. Because of these reclassifications, the fund analysis is not comparable between fiscal year 2010 and fiscal year 2011.

#### **Using This Financial Report**

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

#### **Government – Wide Financial Statements**

The first two statements are government-wide financial statements that provide both short term and long term information about North Cook Intermediate Service Center No. 1's overall financial status, similar to a private business sector. In the government-wide financial statements, activities are shown in one category – governmental activities. North Cook Intermediate Service Center No. 1's basic service is education. These activities are largely financed with local, State and federal revenues.

The Statement of Net Assets presents information on all of North Cook Intermediate Service Center No. 1's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of North Cook Intermediate Service Center No. 1 is improving or deteriorating. The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year.

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 met.

The modified accrual basis of accounting is followed by the Governmental fund, 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.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Required Supplementary Information Management Discussion and Analysis (Continued) Year Ended June 30, 2011

### Fund Financial Statements

The fund financial statements provide more detailed information about North Cook Intermediate Service Center No. 1's funds – not North Cook Intermediate Service Center No. 1 as a whole. Funds are specific segregations of cash and accounting devices North Cook Intermediate Service Center No. 1 uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law, while others are established to control and manage money for particular purposes or to show that North Cook Intermediate Service Center No. 1 is properly using certain revenues.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for each. By doing so, readers may better understand the long-term impact of North Cook Intermediate Service Center No. 1's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

North Cook Intermediate Service Center No. 1 maintains various governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance for these funds. More detail of the individual revenues and expenditures for these funds is presented in the supplementary section of this report.

North Cook Intermediate Service Center No. 1 is not legally required to adopt a budget, but an annual budget is adopted for the Education Fund. Illinois State Board of Education, a granting agency, requires the North Cook Intermediate Service Center No. 1 to adopt budgets for certain program revenues. A budgetary comparison statement has been provided as supplementary information for the General, Education, and Nonmajor Special Revenue Funds which is in compliance with GASB Statement No. 34.

### Condensed Financial Information

Net assets are summarized in the table below.

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Assets:		
Current Assets	\$ 2,794,375	\$2,854,203
Non-current Assets		
Capital Assets	<u>84,616</u>	<u>140,046</u>
Total Assets	<u>2,878,991</u>	<u>2,994,249</u>
Liabilities:		
Current Liabilities	265,782	344,426
Noncurrent Liabilities	<u>14,155</u>	<u>-0-</u>
Total Liabilities	<u>279,937</u>	<u>344,426</u>
Net Assets:		
Investments in capital assets, net of debt	84,616	140,046
Restricted for educational purposes	496,113	-0-
Unrestricted	<u>2,018,325</u>	<u>2,509,777</u>
Total Net Assets	<u>\$2,599,054</u>	<u>\$2,649,823</u>

Current assets consist of cash and investments, prepaid expense, accrued interest receivable and accounts receivable -governmental claims.

As of June 30, 2011, North Cook Intermediate Service Center No. 1 had no outstanding long-term debt.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Required Supplementary Information Management Discussion and Analysis (Continued) Year Ended June 30, 2011

North Cook Intermediate Service Center No. 1's net assets consist of unrestricted and restricted net assets and investment in capital assets net of related debt.

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

### Condensed Statement of Activities For Fiscal Years Ending:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Revenues received:		
Program:		
Operating grants and contributions	\$2,470,098	\$2,976,971
General:		
Local sources	2,276,732	1,969,730
On-behalf payments	400,486	526,692
Investment Income	16,608	31,017
Miscellaneous	<u>-0-</u>	<u>64,009</u>
Total revenue received	<u>5,163,924</u>	<u>5,568,419</u>
Expenditures disbursed:		
Instructional services:		
Instruction	1,345,095	1,646,302
Supporting Services	3,256,441	3,208,875
Nonprogrammed Charges	199,964	220,757
Administrative services:		
On-behalf payments	400,486	526,692
Unallocated Depreciation Expense	<u>12,707</u>	<u>12,571</u>
Total expenditures disbursed	<u>5,214,693</u>	<u>5,615,197</u>
Change in net assets	(50,769)	(46,778)
Beginning net assets	<u>2,649,823</u>	<u>2,696,601</u>
Ending net assets	<u>\$2,599,054</u>	<u>\$2,649,823</u>

Major sources of operating revenues for North Cook Intermediate Service Center No. 1 include: Federal and State grants, and local tuition fees.

### Management's Analysis of the Intermediate Service Center's Overall Financial Position and Results of Operations

As shown in the table above, total revenues for governmental activities for this year were \$5,163,924. Federal and State grants financed 48% of this or \$2,470,098. Local sources consisting of primarily tuition was the next largest contributor with \$2,276,732.

#### Capital assets

During the year ended June 30, 2011, the North Cook Intermediate Service Center No. 1 invested \$8,110 in new computers and other miscellaneous computer hardware.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Required Supplementary Information Management Discussion and Analysis (Continued) Year Ended June 30, 2011

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### Management's Analysis of the Intermediate Service Center's Overall Financial Position and Results of Operations (Continued)

Net assets

During the year, net assets and net assets invested in capital assets decreased \$50,769. Total revenue for fiscal year ended June 30, 2010 was \$5,568,419 and decreased by \$404,495 to \$5,163,924 for fiscal year ended June 30, 2011. This was mainly due to a decrease in State and Federal grant monies. Expenses decreased by \$400,504 from \$5,615,197 in fiscal year ended June 30, 2010, to \$5,214,693 during fiscal year ended June 30, 2011. Expenditures were lower in fiscal year 2011 compared to fiscal year 2010 due to a decrease in instruction, supporting services and nonprogrammed charges. The factors which have contributed to this condition are explained below.

### Factors or Conditions Impacting Future Periods

On the revenue side, State and Federal grant monies decreased. Local revenues were higher in comparison to the prior year primarily due to the new ROE responsibilities assumed by the Center and an increase in the number of participants enrolled in the various programs offered by North Cook Intermediate Service Center No. 1.

On the expenditure side, increased spending will force the Center to do more with less.

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

### Contacting the Intermediate Service Center's Financial Management

This financial report is designed to provide the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the organization, Illinois State Board of Education, Federal award agencies and pass-through entities with a general overview of North Cook Intermediate Service Center No. 1's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Mr. Robert Ingrassia, Executive Director, 2340 Des Plaines River Road, Des Plaines, IL 60018-3292.

## BASIC FINANCIAL STATEMENTS



# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Statement of Net Assets - Governmental Activities

Year Ended June 30, 2011

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### ASSETS

Current assets:	
Cash and investments	\$ 2,176,885
Prepaid expenses	53,809
Accrued interest receivable	4,093
Accounts receivable	<u>559,588</u>
Total current assets	<u>2,794,375</u>
Noncurrent assets:	
Capital Assets, being depreciated, net	<u>84,616</u>
Total noncurrent assets	<u>84,616</u>
Total assets	<u>2,878,991</u>

### LIABILITIES

Current Liabilities:	
Accounts payable	28,315
Deferred revenue	202,494
Accrued payroll liabilities	<u>34,973</u>
Total current liabilities	<u>265,782</u>
Noncurrent Liabilities:	
Accrued compensated absences	<u>14,155</u>
Total noncurrent liabilities	<u>14,155</u>
Total liabilities	<u>279,937</u>

### NET ASSETS

Invested capital assets, net of related debt	84,616
Restricted for educational purposes	496,113
Unrestricted	<u>2,018,325</u>
Total net assets	<u>\$ 2,599,054</u>

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

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Statement of Activities

Year Ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expense) Revenue and Changes in Net Assets</u> <u>Primary Government</u> Governmental Activities
FUNCTIONS/PROGRAMS			
Primary government:			
Governmental activities:			
Instructional Services:			
Instruction	\$ 1,345,095	\$ 1,149,837	\$ (195,258)
Supporting Services	3,256,441	1,057,725	(2,198,716)
Community Services	-0-	-0-	-0-
Nonprogrammed Charges	199,964	262,536	62,572
Administrative:			
On-behalf payments	400,486	-0-	(400,486)
Unallocated Depreciation Expense	12,707	-0-	(12,707)
 Total governmental activities	 <u>\$ 5,214,693</u>	 <u>\$ 2,470,098</u>	 <u>(2,744,595)</u>
 General revenues:			
Local sources			2,276,732
On-behalf payments			400,486
Investment Income			16,608
Total general revenues			<u>2,693,826</u>
Change in net assets			(50,769)
Net assets - beginning			<u>2,649,823</u>
 Net assets - ending			 <u>\$ 2,599,054</u>

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

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**

**Balance Sheet  
Governmental Funds**

June 30, 2011

<u>ASSETS</u>	<u>General Fund</u>	<u>Education Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 982,283	\$ 201,019	\$ 79,070	\$ 1,262,372
Investments	914,513	-	-	914,513
Prepaid Expenses	53,809	-	-	53,809
Accrued interest receivable	4,093	-	-	4,093
Accounts Receivable	182,750	376,838	-	559,588
Total assets	<u>\$ 2,137,448</u>	<u>\$ 577,857</u>	<u>\$ 79,070</u>	<u>\$ 2,794,375</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 568	\$ 26,002	\$ 1,745	\$ 28,315
Accrued payroll liabilities	34,973	-	-	34,973
Deferred revenue	15,618	219,568	-	235,186
Total liabilities	<u>\$ 51,159</u>	<u>\$ 245,570</u>	<u>\$ 1,745</u>	<u>\$ 298,474</u>
<u>FUND BALANCE</u>				
Nonspendable	\$ 53,809	\$ -	\$ -	\$ 53,809
Restricted	-	332,287	77,325	409,612
Assigned	-	-	-	-
Unassigned	2,032,480	-	-	2,032,480
Total fund balance	<u>2,086,289</u>	<u>332,287</u>	<u>77,325</u>	<u>2,495,901</u>
Total liabilities and fund balance	<u>\$ 2,137,448</u>	<u>\$ 577,857</u>	<u>\$ 79,070</u>	<u>\$ 2,794,375</u>

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

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
June 30, 2011

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Total fund balance - governmental fund	\$ 2,495,901
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	84,616
Compensated absences are not due and payable in the current period and therefore, are not reported as liabilities in the funds.	(14,155)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>32,692</u>
Net assets of governmental activities	<u><u>\$ 2,599,054</u></u>

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

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
Year Ended June 30, 2011

	<u>General Fund</u>	<u>Education Fund</u>	<u>Nonmajor Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>				
Local Sources	\$ 1,880,728	\$ 67,619	\$ 344,993	\$ 2,293,340
State Sources	733,015	1,398,777	95,028	2,226,820
Federal Sources	-0-	705,526	-0-	705,526
Total Direct Revenues	<u>2,613,743</u>	<u>2,171,922</u>	<u>440,021</u>	<u>5,225,686</u>
On-behalf Payments	<u>400,486</u>	<u>-0-</u>	<u>-0-</u>	<u>400,486</u>
Total Revenues	<u>3,014,229</u>	<u>2,171,922</u>	<u>440,021</u>	<u>5,626,172</u>
<b><u>EXPENDITURES</u></b>				
Instruction	706,105	582,112	-0-	1,288,217
Support Services	1,892,515	1,001,230	362,696	3,256,441
Community Services	-0-	-0-	-0-	-
Nonprogrammed Charges	<u>-0-</u>	<u>199,964</u>	<u>-0-</u>	<u>199,964</u>
Total Direct Expenditures	<u>2,598,620</u>	<u>1,783,306</u>	<u>362,696</u>	<u>4,744,622</u>
On-behalf Payments	<u>400,486</u>	<u>-0-</u>	<u>-0-</u>	<u>400,486</u>
Total Expenditures	<u>2,999,106</u>	<u>1,783,306</u>	<u>362,696</u>	<u>5,145,108</u>
Net Change in Fund Balance	15,123	388,616	77,325	481,064
Fund Balance, July 1, 2010 (Restated- See Note 1F)	<u>2,071,166</u>	<u>(56,329)</u>	<u>-0-</u>	<u>2,014,837</u>
Fund Balance, June 30, 2011	<u>\$ 2,086,289</u>	<u>\$ 332,287</u>	<u>\$ 77,325</u>	<u>\$ 2,495,901</u>

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

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balance to the Statement of Activities**  
**Governmental Funds**  
Year ended June 30, 2011

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Net change in fund balances	\$	481,064
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Capital outlay	\$	8,110
Depreciation expense		(63,540)
		(55,430)
<p>Revenues in the statement of activities that did not provide financial resources in the prior year and are not reported as revenues in the government-wide statements in the current year</p>		
		(494,940)
<p>Expenditures in the Statement of Activities that do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds</p>		
		(14,155)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>		
		32,692
Change in net assets of governmental activities	\$	(50,769)

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

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes To The Financial Statements

June 30, 2011

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of North Cook Intermediate Service Center No. 1 conform to accounting principles generally accepted in the United States of America, as applicable to local governmental units of this type. The following is a summary of the more significant accounting policies.

#### A. Reporting Entity:

The purpose of North Cook Intermediate Service Center No. 1 shall be to provide services designed to be responsive to the specific needs of the schools in North Cook County. This area shall include the districts within the territorial boundaries of the following high school districts:

Evanston Township H.S. Dist. 202	New Trier Township H.S. Dist. 203
Maine Township H.S. Dist. 207	Township H.S. Dist. 211
Township H.S. Dist. 214	Niles Township Comm. H.S. Dist. 219
Northfield Township H.S. Dist. 225	

More specifically, North Cook Intermediate Service Center No 1 incorporates the following activities into its overall plan of services:

- Provide a variety of in-service training and staff development opportunities to improve the knowledge and skills of educators.
- Coordinate the communication and data reporting requirements from local and regional programs and services to the State Board of Education and the State Superintendent of Education as needed.
- Serve as a clearinghouse for educational information and research.
- Serve as the primary regional delivery system for federal and/or state supported programs and services in education as authorized in Section 2-3.62 of The School Code or as directed by the State Superintendent of Education.
- Provide other services as set out in Section 500.50 of the Emergency Rules of the State Board of Education.

In evaluating how to define North Cook Intermediate Service Center No. 1 for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity is made by applying the criteria set forth in Accounting Principles Generally Accepted in the United States of America. The definition of a component unit is a legally separate organization for which North Cook Intermediate Service Center No. 1 is financially accountable and other organizations for which the nature and significance of their relationship are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. North Cook Intermediate Service Center No. 1 is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on it. North Cook Intermediate Service Center No. 1 also may be financially accountable if an organization is fiscally dependent on it regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government or (3) a jointly appointed board. Even though there are local government agencies within the geographic area served by North Cook Intermediate Service Center No. 1, such as the municipality, library and park district, these agencies have been excluded from the report because they are legally separate and it is not financially accountable for them. Based on these criteria, North Cook Intermediate Service Center No. 1 is not aware of an entity which would exercise such oversight and would result in the Center being considered a component unit of the entity.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes To The Financial Statements

June 30, 2011

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Intermediate Service 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 grant agreements, North Cook Intermediate Service Center No. 1 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 North Cook Intermediate Service Center No. 1 to first apply restricted fund balances, then unrestricted. For unrestricted fund balances, committed fund balances are used first, then assigned fund balances, then unassigned if any.

The Statement of Net Assets presents information on all of North Cook Intermediate Service Center No. 1's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of North Cook Intermediate Service Center No. 1 is improving or deteriorating. The net assets of the Intermediate Service Center are classified as follows:

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

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

*Restricted Net Assets* – represents a restriction on resources of a state or local government that is externally imposed by creditors or imposed by law.

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

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

The accounts are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose, and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.



# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes To The Financial Statements

June 30, 2011

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Center has the following fund types:

Governmental Funds are used to account for general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they are both “measurable and available”. “Measurable” means that the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. All revenues are considered available if they are collected within 60 days after year-end. Revenues received more than 60 days after the end of the current period are deferred in the governmental fund financial statements, but are recognized as current revenues in the government-wide financial statements. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

North Cook Intermediate Service Center No. 1 uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Center uses governmental funds.

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

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

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes To The Financial Statements

June 30, 2011

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Nonspendable Fund Balance – the portion of a Governmental Fund’s net assets that are not available to be spent, either short term or long term, in either form or through legal restrictions. Prepaid expenses are presented under the nonspendable fund balance.

Restricted Fund Balance – the portion of a Governmental Fund’s net assets that are subject to external enforceable legal restrictions. The following account fund balances are restricted by grant agreements or contracts: ROE/ISC Operations, Regional Safe Schools, Bus Driver Training and Certification, Institute, Gifted Education, Title I - School Improvement and Accountability, Title I - Reading First Part B SEA Funds, Title I – Grant to Local Educational Agencies, Recovery Act, and Education Jobs Fund.

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

Assigned Fund Balance – the portion of a Governmental Fund’s net assets to denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Executive Director. There are no accounts presenting an assigned fund balance.

Unassigned Fund Balance – available expendable financial resources in a governmental fund that are not designated for a specific purpose. The unassigned fund balance is made up of the Regional Safe Schools – General State Aid and tuition monies for teachers and administrator workshops.

North Cook Intermediate Service Center No. 1 reports the following major governmental funds:

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:

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

Title I – Reading First Part B SEA Funds: This program focuses on putting proven methods of early reading instruction in classrooms.

Title I Grant to Local Educational Agencies, Recovery Act: Funds are used to help local educational agencies (LEAs) and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic achievement standards.

Education Jobs Fund: The objective of this program is to assist local educational agencies (LEAs) in saving or creating education jobs for school year 2010-2011.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes To The Financial Statements

June 30, 2011

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Regional Safe Schools: 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.

Gifted Education: Provides Gifted Education Seminars to teachers and Administrators. In addition, funds can be used to provide additional professional development relating to the differentiation of instruction training.

Local Sources: Establishes programs that offer coordinated services to at-risk students, and their families.

The General Fund: The General Fund is the operating fund of North Cook Intermediate Service Center No. 1. 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 other fund. General Funds include the following:

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

Local Services: These are revenues and expenditures associated with workshops conducted by North Cook Intermediate Service Center No. 1.

Nonmajor Special Revenue Funds: All other special revenue funds not classified under the Education Fund are grouped under this fund for financial statement presentation. This fund includes the following:

Bus Driver Training and Certification: Accounts for revenue from the issuance of school bus driver permits and to sponsor instructional training courses for school bus drivers.

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

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary 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.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes To The Financial Statements

June 30, 2011

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

The Statement of Net Assets presents information on all of North Cook Intermediate Service Center No. 1's assets and liabilities, with the difference between the two reported as net assets. Net assets of the Center are classified as Unrestricted and Restricted Net Assets. Unrestricted Net Assets represent resources used for transactions relating to the general operations of the Center and may be used at the discretion of management to meet expenses for any purpose. Restricted Net Assets consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

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

D. 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 met.

The modified accrual basis of accounting is followed by the Governmental fund, 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.

E. Assets, Liabilities and Equity:

Deposits and Investments

State statutes authorize North Cook Intermediate Service Center No. 1 to invest in obligations of the U.S. Treasury, certain highly-rated commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investments are stated at fair value.

Capital Assets

Capital assets used in governmental fund types are recorded in the government-wide financial statements at cost or estimated historical cost if purchased or constructed. North Cook Intermediate Service Center No. 1's threshold for capitalizing fixed assets are those with a cost of \$500 or more.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes To The Financial Statements

June 30, 2011

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Assets, Liabilities and Equity (concluded):

##### Capital Assets (concluded)

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

##### Prepaid Items

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

##### 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.

##### Reclassifications

Certain fund balance classifications in the 2010 financial statements have been reclassified to conform to the 2011 presentation with no effect on previously reported changes in net assets.

#### F. New Accounting Pronouncements:

Effective for the year ending June 30, 2011, the Center adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. In addition, this Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 changed fund balance reporting for governmental funds by adding some additional fund balance classifications, clarifying governmental fund type definitions, and providing additional disclosures on how fund balance constraints are imposed and may be modified or eliminated.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes To The Financial Statements

June 30, 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

#### F. New Accounting Pronouncements (concluded):

Effective for the year ending June 30, 2011, the Center adopted GASB Statement No. 59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. There was no significant impact on the Center's financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2011, the Center adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the pronouncement issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. There was no significant impact on the Center's financial statements as a result of adopting this statement.

#### G. Compensated Absences:

A full time, noncertified 260 day employee shall be eligible for paid vacation according to the following schedule:

After this number of years of continuous employment	Noncertified full time staff will receive this number of paid vacation days
1	12
2	13
3	14
4	15
5	16
6	17
7	18
8	19
9 or more	20

North Cook Intermediate Service Center No. 1's full time staff members working on a certified position shall receive 15 days of vacation per year with one additional day per year after each subsequent year of service, up to a maximum of 20 total days. Vacation time for noncertified and certified employees is earned throughout the year on a prorated basis. Vacation days in one fiscal year must be used by the end of that fiscal year.

With the prior approval of the Executive Director, up to 10 days may be carried over from year to year, but in no instance may accrued days of vacation from the prior year exceed ten. For the year ended June 30, 2011, the Executive Director granted a total of 51 days or \$14,155 in vacation accruals and thus, a liability has been accrued.

### 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary Data:

Budgeted amounts for the Education Fund are adopted on the modified accrual basis, which is consistent with accounting principles generally accepted in the United States of America (GAAP).

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes To The Financial Statements

June 30, 2011

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### 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (concluded)

#### A. Budgetary Data (concluded):

Federal grants administered that have budgets are as follows: Title I-School Improvement and Accountability, Title I- Reading First Part B SEA Funds, Title I – Grants to Local Educational Agencies, Recovery Act, and Education Jobs Fund.

State grants administered that have budgets are as follows: I.S.C. Operations, Regional Safe Schools-General State Aid, Regional Safe Schools, Gifted Education and Bus Driver Training and Certification.

In addition to having budgets for Federal and State grants, North Cook Intermediate Service Center No. 1 also prepares a budget for local revenues and expenditures.

North Cook Intermediate Service Center No. 1 has not legally adopted the budgets and is not required to do so. The Governing Board follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Administration submits to the Board of Education a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to August 31, the Governing Board reviews the budget.
3. Management is authorized to transfer budget amounts, provided funds are transferred between the same function and object codes. The Governing Board is authorized to transfer up to a legal level of 10% of the total budget between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Governing Board after following the public hearing process mandated by law.
4. Formal budgetary integration is employed as a management control device during the year for the governmental fund.
5. Budgeted amounts for the governmental fund are adopted on a basis that is consistent with accounting principles generally accepted in the United States of America, with the exception of on-behalf payments made by other governmental units, which are not required to be budgeted under state laws and regulations and are not budgeted.
6. Appropriations lapse at the end of the fiscal year.
7. The budget amounts shown in the financial statements are as originally adopted because there were no amendments during the past fiscal year.

### 3. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments:

Under the Illinois Compiled Statutes, school districts and related organizations are authorized to enter into contracts among themselves and to confirm and transfer powers and functions by intergovernmental cooperation. On July 1, 1996 the Wheeling Township Treasurer and Trustees were abolished. At this time, Community Consolidated School District No. 21, the Center's Administrative Agent, as well as a number of other districts in the township, entered into an intergovernmental agreement to transfer many of the duties and powers of the Township Treasurer to Township High School District No. 214.

Effective July 1, 2000, North Cook Intermediate Service Center No. 1 began utilizing Des Plaines School District No. 62 as its administrative agent in order to better facilitate accounting for its transactions.

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Notes To The Financial Statements**  
 June 30, 2011

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3. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (concluded):

Township treasurer duties rest with Maine Township High School District No. 207 for Des Plaines School District No. 62 and a number of other districts. At June 30, 2000, all investments had been transferred to District No. 207.

District 207 invests excess funds at its discretion, subject to the legal restrictions discussed below. For these purposes, District 207 is permitted to combine monies from more than one fund of a single district and to combine monies of more than one district in the township. Monies combined under these circumstances as well as investment earnings are accounted for separately for each fund and/or district.

Cash and investments, other than the depository account and imprest funds are part of a common pool for all school centers and cooperatives within the township. District 207 maintains records that segregate the cash and investment balance by district or cooperative. Income from investments is distributed monthly based upon the percentage participation in the pool.

At June 30, 2011, North Cook Intermediate Service Center No. 1 had a total of \$2,176,885 in cash and investments. This consists of \$2,171,685 held on deposit with District 207, a \$5,000 imprest account and \$200 cash on hand. Because all cash and investments are pooled by a separate legal governmental agency (District 207), categorization by risk category is not determinable.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash deposits	<u>\$5,000</u>	<u>\$5,140</u>

The deposits shown above were fully covered by depository insurance.

**Credit Risk**

District 207's investment policies are established by an Advisory Board made up of representatives of the member districts as prescribed by the Illinois School Code and the Illinois Compiled Statutes. District 207 is authorized to invest in obligations of the U.S. Treasury, 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 (subject to certain limitations). As of June 30, 2011, the District's investment in the external pool was rated within the three highest classifications by at least two standard rating services.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District has no specific policy on the interest rate risk at year-end. Management guidelines suggest investments not to exceed six years in maturity from the date of purchase.



# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes to The Financial Statements

June 30, 2011

3. DETAILED NOTES ON ALL FUNDS (continued)

B. Capital Assets:

The governmental activities capital asset activity for the year ended June 30, 2011 is as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
<b>Cost:</b>				
Equipment	<u>\$739,972</u>	<u>\$8,110</u>	<u>\$45,612</u>	<u>\$702,470</u>
<b>Accumulated Depreciation:</b>				
Equipment	<u>\$599,926</u>	<u>\$63,540</u>	<u>\$45,612</u>	<u>\$617,854</u>
<b>Total Capital Assets, Net</b>				
Equipment	<u>\$140,046</u>	<u>\$(55,430)</u>	<u>\$-0-</u>	<u>\$84,616</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$50,833
Depreciation not charged to a specific function	<u>12,707</u>
Total depreciation for governmental activities	<u>\$63,540</u>

C. Lease Commitments:

North Cook Intermediate Service Center No. 1 has entered into three operating leases as follows:

Lease 1: On December 10, 1999, a lease agreement was entered into for office and classroom suites in Des Plaines, IL. An amendment was made on September 21, 2005 which extends the lease until June 30, 2010. On January 31, 2010, a third amendment was made to extend the lease until July 31, 2014.

The lease required the following rental terms:

Upper level suite:	February 1, 2004 to January 31, 2005 at \$11,059.44 per month
	February 1, 2005 to January 31, 2006 at \$9,309.00 per month
	February 1, 2006 to January 31, 2007 at \$9,588.27 per month
	February 1, 2007 to March 31, 2007 at \$9,875.92 per month
	April 1, 2007 to March 31, 2008 at \$9,877.88 per month
	April 1, 2008 to March 31, 2009 at \$10,174.22 per month
	April 1, 2009 to March 31, 2010 at \$10,479.45 per month
	April 1, 2010 to March 31, 2011 at \$10,793.83 per month
	April 1, 2011 to March 31, 2012 at \$11,117.64 per month
	April 1, 2012 to March 31, 2013 at \$11,451.17 per month
	April 1, 2013 to March 31, 2014 at \$11,794.71 per month
	April 1, 2014 to July 31, 2014 at \$12,150.12 per month

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes to The Financial Statements

June 30, 2011

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### 3. DETAILED NOTES ON ALL FUNDS (continued)

#### C. Lease Commitments (continued):

Lower level suites: February 1, 2004 to January 31, 2005 at \$8,639.26 per month  
February 1, 2005 to January 31, 2006 at \$7,960.17 per month  
February 1, 2006 to January 31, 2007 at \$8,198.97 per month  
February 1, 2007 to March 31, 2007 at \$8,444.94 per month  
April 1, 2007 to March 31, 2008 at \$8,443.46 per month  
April 1, 2008 to March 31, 2009 at \$8,696.77 per month  
April 1, 2009 to March 31, 2010 at \$8,957.67 per month  
April 1, 2010 to March 31, 2011 at \$9,226.40 per month  
April 1, 2011 to March 31, 2012 at \$9,503.19 per month  
April 1, 2012 to March 31, 2013 at \$9,788.29 per month  
April 1, 2013 to March 31, 2014 at \$10,081.94 per month  
April 1, 2014 to July 31, 2014 at \$10,388.02 per month

April 1, 2007 to March 31, 2008 at \$2,010.31 per month  
April 1, 2008 to March 31, 2009 at \$4,142.38 per month  
April 1, 2009 to March 31, 2010 at \$4,266.67 per month  
April 1, 2010 to March 31, 2011 at \$4,393.51 per month  
April 1, 2011 to March 31, 2012 at \$4,525.41 per month  
April 1, 2012 to March 31, 2013 at \$4,659.86 per month  
April 1, 2013 to March 31, 2014 at \$4,801.91 per month  
April 1, 2014 to July 31, 2014 at \$4,943.96 per month

Lease 1 (Amendment): On February 1, 2003, an additional 1,610 square feet was rented for classroom suites in Des Plaines, IL. Amendments were made on September 21, 2005 and February 1, 2007 which extends the lease to July 31, 2014.

The lease required the following rental terms:

Additional suite: February 1, 2004 to January 31, 2005 at \$2,763.83 per month  
February 1, 2005 to January 31, 2006 at \$2,415.00 per month  
February 1, 2006 to January 31, 2007 at \$2,487.45 per month  
February 1, 2007 to March 31, 2007 at \$2,562.07 per month  
April 1, 2007 to March 31, 2008 at \$2,562.58 per month  
April 1, 2008 to March 31, 2009 at \$2,639.46 per month  
April 1, 2009 to March 31, 2010 at \$2,718.64 per month  
April 1, 2010 to March 31, 2011 at \$2,800.20 per month  
April 1, 2011 to March 31, 2012 at \$2,884.21 per month  
April 1, 2012 to March 31, 2013 at \$2,970.74 per month  
April 1, 2013 to March 31, 2014 at \$3,059.86 per month  
April 1, 2014 to July 31, 2014 at \$3,151.57 per month

Lease 1 (Amendment): On February 11, 2011, an additional 543 square feet was rented for storage space in Des Plaines, IL. The effective date of the lease begins on March 1, 2011 and extends to July 31, 2014.

Storage Space: March 1, 2011 to July 31, 2014 at \$152.25 per month

Lease 2: On August 1, 2003 a lease agreement was entered into for property located in Skokie, IL. The lease required the following rental terms:

August 1, 2003 to July 31, 2004 at \$11,484.60 per month  
August 1, 2004 to July 31, 2005 at \$12,233.60 per month  
August 1, 2005 to March 31, 2006 at \$12,982.60 per month

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes to The Financial Statements

June 30, 2011

### 3. DETAILED NOTES ON ALL FUNDS (concluded)

#### C. Lease Commitments (concluded):

Lease 2 (Amendment): On March 24, 2006, a decrease of 631 square feet was deleted from classroom space rented in Skokie, IL. The amendment also extended the lease agreement until July 31, 2011.

The revised lease agreement required the following rental terms:

April 1, 2006 to July 31, 2007 at \$11,720.70 per month  
August 1, 2007 to July 31, 2008 at \$12,347.46 per month  
August 1, 2008 to July 31, 2009 at \$12,974.24 per month  
August 1, 2009 to July 31, 2010 at \$13,601.01 per month  
August 1, 2010 to July 31, 2011 at \$14,227.79 per month

Lease 3: On April 22, 2005 a new lease agreement was entered into for property located in Palatine, IL. The lease required the following rental terms:

August 1, 2005 to July 31, 2006 at \$5,500.00 per month  
August 1, 2006 to July 31, 2007 at \$6,000.00 per month  
August 1, 2007 to July 31, 2008 at \$6,180.00 per month  
August 1, 2008 to July 31, 2009 at \$6,365.00 per month  
August 1, 2009 to July 31, 2010 at \$6,556.00 per month  
August 1, 2010 to July 31, 2011 at \$7,000.00 per month  
August 1, 2011 to July 31, 2012 at \$7,350.00 per month  
August 1, 2012 to July 31, 2013 at \$7,718.00 per month  
August 1, 2013 to July 31, 2014 at \$8,103.00 per month  
August 1, 2014 to July 31, 2015 at \$8,509.00 per month

The leases carry no restrictions on the financial operating policies.

Minimum future rental payments under the above non-cancelable leases having remaining terms in excess of 1 year as of June 30, 2011 for each of the next five years and in the aggregate are:

<u>Year Ended June 30</u>	
2012	\$ 442,789
2013	443,121
2014	458,225
2015	106,798
Thereafter	8,509
	<u>\$1,459,442</u>

North Cook Intermediate Service Center No. 1 also leases certain copy equipment under non-cancellable rental agreements. The lease terms are for five years. The following is a schedule of future rental payments required under these equipment leases:

<u>Year Ended June 30</u>	
2012	<u>3,300</u>
	<u>\$3,300</u>

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes to The Financial Statements

June 30, 2011

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### 3. DETAILED NOTES ON ALL FUNDS (concluded)

#### D. Accounts Receivable:

Accounts receivable at June 30, 2011 consisted of the following amounts due from Federal, State and Local programs:

##### Governmental Claims:

Regional Safe Schools	\$192,555
ROE/ISC Operations	76,161
Title I – Grant to Local Educational Agencies, Recovery Act	<u>184,283</u>
Accounts Receivable- Governmental Claims	\$452,999
Local Programs	<u>106,589</u>
Accounts Receivable at June 30, 2011	<u>\$559,588</u>

#### E. Deferred Revenue

Deferred revenue is recognized in programs where program monies have been received but not yet spent. The following programs recognized deferred revenues at June 30, 2011:

Title I- School Improvement & Accountability	\$ 199,572
Local Programs	650
ROE/ISC Operations	<u>2,272</u>
Deferred Revenue at June 30, 2011	<u>\$ 202,494</u>

### 4. OTHER INFORMATION

#### A. Risk Management:

North Cook Intermediate Service Center No. 1 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 Suburban School Cooperative Insurance Pool (SSCIP).

#### B. Employee Retirement Systems & Plans:

##### Teachers' Retirement System

North Cook Intermediate Service Center No. 1 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing, multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval.

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

TRS Members include all active nonannuitants that are employed by a TRS-covered employer to provide services for which teacher certification is required. The active TRS members' contribution rate for the year June 30, 2011 was 9.4 percent of their creditable earnings.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes to The Financial Statements

June 30, 2011

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### 4. OTHER INFORMATION (continued)

#### B. Employee Retirement Systems & Plans (continued):

##### Teachers' Retirement System (continued)

The same contribution rate applies to members whose first contributing service is on or after Jan. 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2010 and 2009.

The State of Illinois makes contributions directly to TRS on behalf of North Cook Intermediate Service Center No 1's TRS covered employees.

- **On- behalf contributions.** The State of Illinois makes employer pension contributions on behalf of North Cook Intermediate Service Center No. 1. For the year ended June 30, 2011, State of Illinois contributions were based on 23.10 percent of creditable earnings not paid from federal funds, and the Center recognized revenue and expenditures of \$385,789 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2010, and June 30, 2009, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 23.38 percent (\$508,425) and 17.08 percent (\$355,559), respectively.

North Cook Intermediate Service Center No. 1 makes other types of employer contributions directly to TRS.

- **2.2 formula contributions.** Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ending June 30, 2011 were \$9,686. Contributions for the years ending June 30, 2010 and June 30, 2009 were \$12,613 and \$12,074, respectively.
- **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 a policy adopted by the TRS Board of Trustees that was first effective for the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS.

For the year ended June 30, 2011, the employer pension contribution was 23.10 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2010 and 2009, the employer contributions were 23.38 and 17.08 percent of salaries paid from federal and special trust funds, respectively.

For the year ended June 30, 2011, salaries totaling \$156,988 were paid from federal and special trust funds that required employer contributions of \$36,264. For the years ended June 30, 2010, and June 30, 2009, required Center contributions were \$47,792 and \$33,423, respectively.

- **Early Retirement Option (ERO).** North Cook Intermediate Service Center No. 1 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option. The payments vary depending on the age and salary of the member.

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

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes to The Financial Statements

June 30, 2011

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### 4. OTHER INFORMATION (continued)

#### B. Employee Retirement Systems & Plans (continued):

##### Teachers' Retirement System (concluded)

For the year ended June 30, 2011, the Center paid \$-0- to TRS for employer contributions under the ERO program. For the years ended June 30, 2010 and June 30, 2009, the Center paid \$-0- in employer ERO contributions respectively .

- *Salary increases over 6 percent and excess sick leave.*

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

For the year ended June 30, 2011, the Center paid \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2010 and June 30, 2009, the Center paid \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent, respectively.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (18.03 percent of salary during the year ended June 30, 2011, as recertified pursuant to Public Act 96-1511).

For the year ended June 30, 2011, the Center paid \$-0- to TRS for sick leave days granted in the excess of the normal annual allotment. For the years ended June 30, 2010 and June 30, 2009, the Center paid \$-0- in employer contributions granted for sick leave days, respectively.

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and state funding requirements can be found in the *TRS Comprehensive Annual Financial Report* for the year ended June 30, 2010. The report for the year ended June 30, 2011, is expected to be available in late 2011. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, 2815 West Washington Street, P.O. Box 19253, Springfield, IL 62794-9253. The most current report is also available on the TRS Web site at <http://trs.illinois.gov> .

#### Illinois Municipal Retirement Fund

##### Plan Description

The employer'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 employer plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois.

IMRF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained on-line at [www.imrf.org](http://www.imrf.org) .

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes to The Financial Statements

June 30, 2011

### 4. OTHER INFORMATION (continued)

#### B. Employee Retirement Systems & Plans (concluded):

Illinois Municipal Retirement Fund (concluded)

#### Funding Policy

As set by statute, the employer Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2010 was 7.44 percent. The employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

#### Annual Pension Cost

The required contribution for calendar year 2010 was \$29,862.

#### **Three-Year Trend Information for the Regular Plan**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
12/31/10	\$ 29,862	100%	\$ -0-
12/31/09	\$ 26,006	100%	\$ -0-
12/31/08	\$ 21,948	100%	\$ -0-

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefits increases of 3% annually.

The actuarial value of the employer Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The employer Regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 10 year basis.

#### Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the Regular plan was 84.70 percent funded. The actuarial accrued liability for benefits was \$536,418 and the actuarial value of assets was \$454,355, resulting in an underfunded actuarial accrued liability (UAAL) of \$82,063. The covered payroll (annual payroll of active employees covered by the plan) was \$401,369 and the ratio of the UAAL to the covered payroll was 20 percent.

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

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes to The Financial Statements

June 30, 2011

4. OTHER INFORMATION (continued)

C. Postemployment Benefits other than Pensions:

1) Illinois Municipal Retirement Fund

Plan Description and Actuarial Valuation

In addition to providing the pension benefits described, the Intermediate Service Center No. 1 provides postemployment health care benefits (OPEB) for retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the Intermediate Service Center No. 1 and can be amended by board approval. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

For financial statement purposes, an actuarial valuation is required at least biennially for OPEB plans with a total membership (including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits) of 200 or more, or at least triennially for plans with a total membership of fewer than 200. As a result of these requirements, North Cook Intermediate Service Center No. 1 was not required to have an actuarial valuation for the year ended June 30, 2011. July 1, 2009 was the most recent actuarial valuation of North Cook Intermediate Service Center No. 1's plan. The results of North Cook Intermediate Service Center No. 1's latest actuarial valuation are described below.

Benefits Provided

The Intermediate Service Center No. 1 provides continued health insurance coverage at the blended employer rate to all eligible retirees in accordance with Illinois Compiled Statutes, which creates an implicit subsidy of retiree health insurance. To be eligible for benefits, an employee must qualify for retirement under the Intermediate Service Center No. 1 retirement plan. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree is no longer eligible to participate in the plan, but can purchase a Medicare supplement plan from the Intermediate Service Center No. 1 insurance provider.

Membership

At July 1, 2009 membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	-
Terminated Employees Entitled to Benefits but not yet Receiving Them	-
Active Employees	<u>6</u>
 TOTAL	 <u>6</u>
 Participating Employers	 <u>1</u>

Funding Policy

The Intermediate Service Center No. 1 is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.



# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes to The Financial Statements

June 30, 2011

4. OTHER INFORMATION (continued)

C. Postemployment Benefits other than Pensions (continued)

1) Illinois Municipal Retirement Fund (continued)

The Intermediate Service Center No. 1 had an actuarial valuation performed for the plan as of July 1, 2009 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended June 30, 2010.

Annual OPEB Costs and Net OPEB Obligation

The Intermediate Service Center No. 1's annual OPEB cost (expense) of \$4,693 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of July 1, 2009. The Intermediate Service Center No. 1's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2010 was as follows (information for the two preceding years before fiscal year 2010 is not available as an actuarial valuation was performed for the first time as of July 1, 2009):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 4,693	\$ -	0%	\$ 4,693

The net OPEB obligation as of July 1, 2009, was calculated as follows:

Annual Required Contribution	\$ 4,693
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
	-
Annual OPEB Cost	4,693
Contributions Made	-
	-
Increase in Net OPEB Obligation	-
Net OPEB Obligation Beginning of Year	-
	-
<b>NET OPEB OBLIGATION END OF YEAR</b>	<b>\$ 4,693</b>

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2009, was as follows:

Actuarial Accrued Liability (AAL)	\$ 21,023
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	21,023
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Plan Members)	\$ N/A
UAAL as a Percentage of Covered Payroll	0.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes to The Financial Statements

June 30, 2011

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### 4. OTHER INFORMATION (continued)

#### C. Postemployment Benefits other than Pensions (continued)

##### 1) Illinois Municipal Retirement Fund (concluded)

Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

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

In the July 1, 2009, actuarial valuation, the unit credit cost method was used. The actuarial assumptions included a discount rate of 5.00% and an initial healthcare cost trend rate of 11.00% with a 5.00% increase for 2015 and later years. Both rates include a 2.00% inflation assumption.

The actuarial value of assets was not determined as the Intermediate Service Center No. 1 has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized using a closed, level dollar method. The remaining amortization period at July 1, 2009 was 30 years. Intermediate Service Center No. 1 has not recorded a post employment benefit liability since the obligation was determined to be immaterial.

##### 2) Teacher Health Insurance Security Fund

North Cook Intermediate Service Center No. 1 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multi-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants may participate in the state administered participating provider option plan or choose from several managed care options. The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval.

The Illinois Department of Healthcare and Family Services (HFS) and the Illinois Department of Central Management Services (CMS) administer the plan with the cooperation of TRS. The director of HFS determines the rates and premiums for annuitants and dependent beneficiaries and establishes the cost-sharing parameters.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes to The Financial Statements

June 30, 2011

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4. OTHER INFORMATION (concluded)

C. Postemployment Benefits other than Pensions (concluded)

2) Teacher Health Insurance Security Fund (concluded)

Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to the TRS who are not employees of the state make contributions to THIS. The percentage of employer required contributions in the future will be determined by the director of HFS and will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

On behalf contributions to THIS Fund

The State of Illinois makes employer retiree health insurance contributions on behalf of North Cook Intermediate Service Center No. 1. State contributions are intended to match contributions to THIS Fund from active members which were 0.88 percent of pay during the year ended June 30, 2011. State of Illinois contributions were \$14,697, and North Cook Intermediate Service Center No. 1 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the year ended June 30, 2010 was 0.84 percent of pay or \$18,267. Had Intermediate Service Center No. 1 recognized revenue and expenditures for State contributions intended to match active member contributions during the year ended June 30, 2009, under the current standards, the contribution match would have been 0.84 percent of pay or \$17,487.

Employer Contributions to THIS Fund

North Cook Intermediate Service Center No. 1 also makes contributions to THIS Fund. The Center THIS Fund contribution was 0.66 percent during the years ended June 30, 2011, and 0.63 percent during the years ended June 30, 2010, and June 30, 2009. For the year ended June 30, 2011, North Cook Intermediate Service Center No. 1 paid \$11,023 to the THIS Fund. For the years ended June 30, 2010 and June 30, 2009, the Center paid \$13,700 and \$13,115 to the THIS Fund, respectively, which was 100 percent of the required contribution.

Further information on THIS Fund

The publicly available financial report of the THIS Fund may be obtained by writing to the Department of Healthcare and Family Services, 201 S. Grand Ave., Springfield, IL 62763-3838.

5. ON-BEHALF CONTRIBUTIONS

The State of Illinois paid the following retirement and other postemployment benefits on-behalf of North Cook Intermediate Service Center No. 1:

TRS Pension Contribution	\$ 385,789
Teachers' Health Insurance Security	<u>14,697</u>
	<u>\$ 400,486</u>

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

6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 28, 2012, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION  
(OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS)

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Illinois Municipal Retirement Fund - Schedule of Funding Progress**  
**(Unaudited)**  
June 30, 2011

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/10	\$454,355	\$536,418	\$82,063	84.70%	\$401,369	20.45%
12/31/09	\$392,791	\$430,067	\$37,276	91.33%	\$321,454	11.60%
12/31/08	\$384,133	\$357,684	(\$26,449)	107.39%	\$275,383	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$494,878. On a market basis, the funded ratio would be 92.26%.

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Post Employment Benefits other than Pensions - Schedule of Funding Progress**  
**(Unaudited)**  
June 30, 2011

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
7/1/09	\$0	\$21,023	\$21,023	0.00%	N/A	0.00%

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Budgetary Comparison Schedule**  
**General Fund**  
Year Ended June 30, 2011

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	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b><u>REVENUES</u></b>			
Local Sources			
Investment Income	\$ 40,000	\$ 16,608	\$ (23,392)
Services Provided Other LEA's	1,638,900	1,830,577	191,677
Local Fees	12,000	33,474	21,474
Contributions	-0-	69	69
	<u>1,690,900</u>	<u>1,880,728</u>	<u>189,828</u>
State Sources			
Regional Safe Schools - General State Aid	<u>732,000</u>	<u>733,015</u>	<u>1,015</u>
Total State Sources	<u>732,000</u>	<u>733,015</u>	<u>1,015</u>
Total Direct Revenues	<u>2,422,900</u>	<u>2,613,743</u>	<u>190,843</u>
On-Behalf Payments	<u>-0-</u>	<u>400,486</u>	<u>400,486</u>
Total Revenues	<u>2,422,900</u>	<u>3,014,229</u>	<u>591,329</u>

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Budgetary Comparison Schedules**  
**General Fund (Continued)**  
Year Ended June 30, 2011

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Instruction</b>			
High School Programs			
Salaries	523,000	465,277	57,723
Employee Benefits	218,200	203,511	14,689
Purchased Services	34,590	10,764	23,826
Supplies and Materials	40,590	26,553	14,037
Total Instruction	<u>816,380</u>	<u>706,105</u>	<u>110,275</u>
<b>Support Services</b>			
Pupils			
Attendance and Social Work Services			
Salaries	251,000	354,036	(103,036)
Employee Benefits	68,500	59,029	9,471
Guidance Services			
Salaries	63,500	63,439	61
Employee Benefits	29,000	26,042	2,958
Purchased Services	5,000	2,635	2,365
Supplies and Materials	5,000	5,395	(395)
Total Pupils	<u>422,000</u>	<u>510,576</u>	<u>(88,576)</u>
<b>Instructional Staff</b>			
Improvement of Instruction Services			
Purchased Services	3,000	2,340	660
Supplies and Materials	1,000	486	514
Total Instructional Staff	<u>4,000</u>	<u>2,826</u>	<u>1,174</u>
<b>General Administration</b>			
Special Area Administrative Services			
Salaries	151,100	151,058	42
Employee Benefits	66,400	92,990	(26,590)
Purchased Services	269,000	257,347	11,653
Supplies and Materials	17,000	19,808	(2,808)
Total General Administration	<u>503,500</u>	<u>521,203</u>	<u>(17,703)</u>



**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Budgetary Comparison Schedule**  
**General Fund (Continued)**  
Year Ended June 30, 2011

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ROE Services			
Salaries	-0-	5,500	(5,500)
Employee Benefits	-0-	421	(421)
Purchased Services	-0-	794	(794)
Supplies and Materials	-0-	462	(462)
Other Objects	-0-	165	(165)
Total ROE Services	<u>-0-</u>	<u>7,342</u>	<u>(7,342)</u>
School Administration			
Other Support Services			
Salaries	204,000	204,900	(900)
Employee Benefits	24,625	21,132	3,493
Total School Administration	<u>228,625</u>	<u>226,032</u>	<u>2,593</u>
Business			
Fiscal Services			
Salaries	28,500	28,250	250
Employee Benefits	5,070	4,730	340
Facilities Acquisition			
Purchased Services	5,000	8,610	(3,610)
Operations and Maintenance of Plant			
Purchased Services	489,000	464,524	24,476
Supplies and Materials	25,000	12,990	12,010
Pupil Transportation Services			
Employee Benefits	-0-	-0-	-0-
Purchased Services	33,500	27,106	6,394
Food Services			
Purchased Services	85,000	77,246	7,754
Total Business	<u>671,070</u>	<u>623,456</u>	<u>47,614</u>
Other Support Services			
Purchased Services	-0-	1,080	(1,080)
Total Other Support Services	<u>-0-</u>	<u>1,080</u>	<u>(1,080)</u>
Total Support Services	<u>1,829,195</u>	<u>1,892,515</u>	<u>(63,320)</u>
Total Direct Expenditures	<u>2,645,575</u>	<u>2,598,620</u>	<u>46,955</u>
On-behalf Payments	-0-	400,486	(400,486)
Total Expenditures	<u>2,645,575</u>	<u>2,999,106</u>	<u>(353,531)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (222,675)</u>	<u>\$ 15,123</u>	<u>\$ 237,798</u>
Fund Balance, Beginning of Year		<u>2,071,166</u>	
Fund Balance, End of Year		<u>\$ 2,086,289</u>	

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Budgetary Comparison Schedule**  
**Education Fund**  
Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>REVENUES</u></b>			
Local Sources			
Local Fees	\$ 90,000	\$ 62,937	\$ (27,063)
Miscellaneous	1,000	4,682	3,682
Total Local Sources	<u>91,000</u>	<u>67,619</u>	<u>(23,381)</u>
State Sources			
Regional Safe Schools	610,000	1,013,380	403,380
I.S.C. Operations	185,000	339,997	154,997
Gifted Education	-0-	45,400	45,400
Total State Sources	<u>795,000</u>	<u>1,398,777</u>	<u>603,777</u>
Federal Sources			
Title I - School Improvement & Accountability	602,236	316,821	(285,415)
Title I - Reading First Part B SEA Funds	-0-	42,517	42,517
Title I - Grants to Local Educational Agencies, Recovery Act	300,000	279,447	(20,553)
Education Jobs Fund	-0-	66,741	66,741
Total Federal Sources	<u>902,236</u>	<u>705,526</u>	<u>(196,710)</u>
Total Direct Revenues	<u>1,788,236</u>	<u>2,171,922</u>	<u>383,686</u>
On-Behalf Payments	-0-	-0-	-0-
Total Revenues	<u>1,788,236</u>	<u>2,171,922</u>	<u>383,686</u>

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Budgetary Comparison Schedules**  
**Education Fund (Continued)**  
Year Ended June 30, 2011

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Instruction			
High School Programs			
Salaries	506,000	577,695	(71,695)
Supplies and Materials	-0-	4,417	(4,417)
Total Instruction	<u>506,000</u>	<u>582,112</u>	<u>(76,112)</u>
Support Services			
Pupils			
Attendance and Social Work Services			
Salaries	104,000	-0-	104,000
Total Pupils	<u>104,000</u>	<u>-0-</u>	<u>104,000</u>
Instructional Staff			
Improvement of Instruction Services			
Salaries	23,121	36,734	(13,613)
Employee Benefits	6,544	9,779	(3,235)
Purchased Services	761,954	508,667	253,287
Supplies and Materials	105,499	6,132	99,367
Total Instructional Staff	<u>897,118</u>	<u>561,312</u>	<u>335,806</u>
General Administration			
Executive Administrative Services			
Salaries	94,500	82,264	12,236
Employee Benefits	31,650	21,551	10,099
Purchased Services	61,000	24,797	36,203
Supplies and Materials	10,000	13,714	(3,714)
Capital Outlay	2,000	-0-	2,000
Other Objects	12,000	8,861	3,139
Special Area Administrative Services			
Purchased Services	-0-	3,790	(3,790)
Total General Administration	<u>211,150</u>	<u>154,977</u>	<u>56,173</u>
Business			
Fiscal Services			
Salaries	19,000	11,521	7,479
Employee Benefits	3,950	1,932	2,018
Purchased Services	44,000	39,312	4,688
Operations and Maintenance of Plant			
Purchased Services	148,500	140,568	7,932
Supplies and Materials	10,000	1,341	8,659
Pupil Transportation Services			
Salaries	35,000	31,431	3,569
Employee Benefits	5,700	5,410	290
Purchased Services	22,300	24,362	(2,062)
Supplies and Materials	1,000	952	48
Other Objects	-0-	30	(30)
Total Business	<u>289,450</u>	<u>256,859</u>	<u>32,591</u>

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Budgetary Comparison Schedule**  
**Education Fund (Continued)**  
Year Ended June 30, 2011

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	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b><u>EXPENDITURES</u></b>			
Other Support Services			
Salaries	9,950	14,229	(4,279)
Employee Benefits	3,237	2,937	300
Purchased Services	6,231	10,916	(4,685)
Other Expenses	-0-	-0-	-0-
	19,418	28,082	(8,664)
Total Other Support Services			
Total Support Services	1,521,136	1,001,230	519,906
Nonprogrammed Charges			
Other Payments to In-State Government Units			
Purchased Services	323,250	199,964	123,286
	323,250	199,964	123,286
Total Nonprogrammed Charges			
Total Direct Expenditures	2,350,386	1,783,306	567,080
On-behalf Payments	-0-	-0-	-0-
Total Expenditures	2,350,386	1,783,306	567,080
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (562,150)	\$ 388,616	\$ 950,766
Fund Balance, Beginning of Year		(56,329)	
Fund Balance, End of Year		\$ 332,287	

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Budgetary Comparison Schedule**  
**Nonmajor Special Revenue Fund**  
Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>REVENUES</u></b>			
Local Sources			
Institute	\$ 320,000	\$ 344,993	\$ 24,993
Total Local Sources	<u>320,000</u>	<u>344,993</u>	<u>24,993</u>
State Sources			
Bus Driver Certification	20,000	40,333	20,333
Bus Driver Training	40,000	54,695	14,695
Total State Sources	<u>60,000</u>	<u>95,028</u>	<u>35,028</u>
Total Direct Revenues	<u>380,000</u>	<u>440,021</u>	<u>60,021</u>
On-Behalf Payments	-0-	-0-	-0-
Total Revenues	<u>380,000</u>	<u>440,021</u>	<u>60,021</u>
<b><u>EXPENDITURES</u></b>			
Support Services			
Instructional Staff			
Improvement of Instruction Services			
Salaries	15,000	15,000	-0-
Purchased Services	77,500	78,694	(1,194)
Supplies and Materials	24,000	18,046	5,954
Total Instructional Staff	<u>116,500</u>	<u>111,740</u>	<u>4,760</u>
ROE Services			
Salaries	115,000	113,364	1,636
Employee Benefits	41,200	34,789	6,411
Purchased Services	107,500	88,391	19,109
Supplies and Materials	7,000	5,892	1,108
Capital Outlay	-0-	8,110	(8,110)
Other Objects	-0-	410	(410)
Total ROE Services	<u>270,700</u>	<u>250,956</u>	<u>19,744</u>
Total Support Services	<u>387,200</u>	<u>362,696</u>	<u>24,504</u>
Total Direct Expenditures	<u>387,200</u>	<u>362,696</u>	<u>24,504</u>
On-behalf Payments	-0-	-0-	-0-
Total Expenditures	<u>387,200</u>	<u>362,696</u>	<u>24,504</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (7,200)</u>	<u>\$ 77,325</u>	<u>\$ 84,525</u>
Fund Balance, Beginning of Year		-0-	
Fund Balance, End of Year		<u>\$ 77,325</u>	

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Schedule of Expenditures of Federal Awards**  
Year Ended June 30, 2011

Federal Grantor/ Program or Cluster Title	CFDA Number (A)	Project # or Contract # (B)	Expenditures	
			7/01/09 - 6/30/10 (C)	7/01/10 - 06/30/11 (D)
U.S. Dept. of Education passed through Illinois State Board of Education (ISBE):				
Title I - Part A Cluster				
Title I - School Improvement & Accountability (M)	84.010A	10-4331-SS	\$ 469,899	\$ 80,982
Title I - School Improvement & Accountability (M)	84.010A	11-4331-SS	-0-	316,821
Title I - Grants to Local Educational Agencies, Recovery Act (M)	84.389	11-4854-00	-0-	299,443
Total Title I - Part A Cluster:			469,899	697,246
Reading First State Grants				
Title I - Reading First Part B SEA Funds	84.357A	10-4337-00	13,177	42,517
			13,177	42,517
ARRA Education Jobs Fund	84.410	11-4880-93	-0-	66,741
			-0-	66,741
State Fiscal Stabilization Fund- Cluster				
State Fiscal Stabilization Fund- Education State Grants Recovery	84.394	10-4850-93	110,500	-0-
State Fiscal Stabilization Fund- Government Services Recovery	84.397	10-4870-93	36,833	-0-
Total State Fiscal Stabilization Fund Cluster			147,333	-0-
Title II - Teacher Quality - Leadership Grant	84.367A	10-4935-SS	78,436	-0-
			78,436	-0-
Total Expenditures of Federal Awards			\$ 708,845	\$ 806,504

(M) - Program was audited as a major program.

The accompanying notes are an integral part of this schedule.

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2011

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of North Cook Intermediate Service Center No. 1 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUBRECIPIENTS

-NONE-

NOTE 3 – DESCRIPTION OF MAJOR FEDERAL PROGRAM

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

Title I – School Improvement & Accountability:

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

The goals of the program are to:

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

Title I – Grants to Local Educational Agencies, Recovery Act

The objective of this program is to help local educational agencies (LEAs) and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic achievement standards.

NOTE 4 – NON-CASH ASSISTANCE

-NONE-

NOTE 5 – AMOUNT OF INSURANCE

-NONE-

NOTE 6 – LOANS OR LOAN GUARANTEES OUTSTANDING

-NONE-