

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, 2012

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

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OFFICIALS

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Executive Director	(Current and during audit period)	Mr. Robert Ingrassia
Administrative Assistant	(Current and during audit period)	Ms. Cindy Cirillo
Business Manager	(Current)	Ms. Virginia Clark
Business Manager	(During audit period)	Mr. Ronald Chilcote
Accounting Coordinator	(Current)	Ms. Christina Juan
Accounting Coordinator	(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	-0-	-1-
Repeated audit findings	-0-	-0-
Prior recommendations implemented or not repeated	-1-	-0-

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
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FINDINGS (GOVERNMENT AUDITING STANDARDS)

-N/A-

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

-N/A-

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

11-1	13	Inadequate Documentation for Payroll Expenditures	Significant Deficiency and Noncompliance
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PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

11-1	13	Inadequate Documentation for Payroll Expenditures	Significant Deficiency and Noncompliance
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EXIT CONFERENCE

The Center waived having an exit conference per a letter dated February 21, 2013.

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, 2012, 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, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 12, 2013 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Illinois Municipal Retirement Fund Schedule of Funding Progress and the Post Employment Benefits other than Pensions Schedule of Funding Progress, on pages 14 through 17, page 46, and page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements. The Budgetary Comparison Schedule and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Bass, Johnson & Conwell, LLP

Palatine, Illinois
March 12, 2013

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, 2012, which collectively comprise the North Cook Intermediate Service Center No. 1's basic financial statements and have issued our report thereon dated March 12, 2013. 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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Bass, Johnson & O'Neill, LLP

Palatine, Illinois
March 12, 2013

**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, 2012. 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, 2012.

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 noncompliance 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.

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
March 12, 2013

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified? yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal Award:

Internal Control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified? yes X none reported

Type of auditors' 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)? yes X no

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? yes X no

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section II – Financial Statement Findings - None

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Section III – Federal Award Findings - None

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
11-1	Inadequate documentation for payroll expenditures	Resolved

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, 2012

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, 2012.

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, 2012) and the prior year (ended June 30, 2011) 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, 2012 and the results of operations for the year. This summary should not be taken as a replacement for the audit report, which consists of the financial statements, notes to the financial statements, required and other supplementary information.

Using This Financial Report

The financial section of this annual report consists of four parts – Independent Auditor's Reports, required supplementary information which includes the MD&A (this section), the basic financial statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of 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, 2012

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

Condensed Statement of Net Assets For Fiscal Years Ending:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Assets:		
Current Assets	\$ 2,746,390	\$ 2,794,375
Non-current Assets		
Capital Assets	<u>22,052</u>	<u>84,616</u>
Total Assets	<u>2,768,442</u>	<u>2,878,991</u>
Liabilities:		
Current Liabilities	97,786	265,782
Noncurrent Liabilities	<u>14,313</u>	<u>14,155</u>
Total Liabilities	<u>112,099</u>	<u>279,937</u>
Net Assets:		
Investments in capital assets, net of debt	22,052	84,616
Restricted for educational purposes	352,454	496,113
Unrestricted	<u>2,281,837</u>	<u>2,018,325</u>
Total Net Assets	<u>\$2,656,343</u>	<u>\$ 2,599,054</u>

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

As of June 30, 2012, 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, 2012

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:

	June 30, 2012	June 30, 2011
Revenues received:		
Program:		
Operating grants and contributions	\$1,973,141	\$2,470,098
General:		
Local sources	2,274,536	2,276,732
On-behalf payments	376,098	400,486
Investment Income	<u>17,837</u>	<u>16,608</u>
Total revenue received	<u>4,641,612</u>	<u>5,163,924</u>
Expenditures disbursed:		
Instructional services:		
Instruction	1,198,798	1,345,095
Supporting Services	2,858,858	3,256,441
Nonprogrammed Charges	137,829	199,964
Administrative services:		
On-behalf payments	376,098	400,486
Unallocated Depreciation Expense	<u>12,740</u>	<u>12,707</u>
Total expenditures disbursed	<u>4,584,323</u>	<u>5,214,693</u>
Change in net assets	57,289	(50,769)
Beginning net assets	<u>2,599,054</u>	<u>2,649,823</u>
Ending net assets	<u>\$2,656,343</u>	<u>\$2,599,054</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 \$4,641,612. Federal and State grants financed 43% of this or \$1,973,141. Local sources consisting of primarily tuition was the next largest contributor with \$2,274,536.

General Fund revenues decreased by \$211,470 (8%) from \$2,613,743 in FY 2011 to \$2,402,273 in FY 2012. General Fund's expenditures decreased by \$443,559 (17%) from \$2,598,620 in FY 2011 to \$2,155,061 in FY 2012.

Education Fund revenues decreased by \$893,706 (41%) from \$2,171,922 in FY 2011 to \$1,278,216 in FY 2012. Expenditures decreased by \$161,497 (9%) from \$1,783,306 in FY 2011 to \$1,621,809 in FY 2012.

Nonmajor Special Revenue Fund revenues increased by \$177,696 (40%) from \$440,021 in FY 2011 to \$617,717 in FY 2012. Expenditures increased by \$5,937 (2%) from \$362,696 in FY 2011 to \$368,633 in FY 2012.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Required Supplementary Information
Management Discussion and Analysis (Continued)
Year Ended June 30, 2012

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

Capital assets

During the year ended June 30, 2012, the North Cook Intermediate Service Center No. 1 invested \$1,134 in new computers and other miscellaneous computer hardware.

Net assets

During the year, net assets and net assets invested in capital assets increased \$57,289. Total revenue for fiscal year ended June 30, 2011 was \$5,163,924 and decreased by \$522,312 to \$4,641,612 for fiscal year ended June 30, 2012. This was mainly due to a decrease in State and Federal grant monies. Expenses decreased by \$630,370 from \$5,214,693 in fiscal year ended June 30, 2011, to \$4,584,323 during fiscal year ended June 30, 2012. Expenditures were lower in fiscal year 2012 compared to fiscal year 2011 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 lower in comparison to the prior year primarily due a decrease in the number of participants enrolled in the various programs offered by North Cook Intermediate Service Center No. 1.

On the expenditure side, the decrease is due to less grant funds available to the Center.

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

June 30, 2012

ASSETS

Current assets:

Cash and investments	\$ 2,573,742
Prepaid expenses	37,463
Accrued interest receivable	6,770
Accounts receivable	128,415

Total current assets 2,746,390

Noncurrent assets:

Capital Assets, being depreciated, net	<u>22,052</u>
--	---------------

Total noncurrent assets 22,052

Total assets 2,768,442

LIABILITIES

Current Liabilities:

Accounts payable	66,552
Accrued payroll liabilities	<u>31,234</u>

Total current liabilities 97,786

Noncurrent Liabilities:

Accrued compensated absences	<u>14,313</u>
------------------------------	---------------

Total noncurrent liabilities 14,313

Total liabilities 112,099

NET ASSETS

Invested capital assets, net of related debt 22,052

Restricted for educational purposes 352,454

Unrestricted 2,281,837

Total net assets \$ 2,656,343

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, 2012

	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets
		Operating Grants and Contributions	Primary Government Governmental Activities
FUNCTIONS/PROGRAMS			
Primary government:			
Governmental activities:			
Instructional Services:			
Instruction	\$ 1,198,798	\$ 848,940	\$ (349,858)
Supporting Services	2,858,858	985,208	(1,873,650)
Community Services	-0-	-0-	-0-
Nonprogrammed Charges	137,829	138,993	1,164
Administrative:			
On-behalf payments	376,098	-0-	(376,098)
Unallocated Depreciation Expense	12,740	-0-	(12,740)
Total governmental activities	\$ 4,584,323	\$ 1,973,141	(2,611,182)
General revenues:			
Local sources			2,274,536
On-behalf payments			376,098
Investment Income			17,837
Total general revenues			2,668,471
Change in net assets			57,289
Net assets - beginning			2,599,054
Net assets - ending			\$ 2,656,343

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, 2012

<u>ASSETS</u>	<u>General Fund</u>	<u>Education Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 813,337	\$ -	\$ 326,611	\$ 1,139,948
Investments	1,511,150	-	-	1,511,150
Prepaid Expenses	37,351	112	-	37,463
Accrued interest receivable	6,770	-	-	6,770
Accounts Receivable	30,631	97,784	-	128,415
Total assets	<u>\$ 2,399,239</u>	<u>\$ 97,896</u>	<u>\$ 326,611</u>	<u>\$ 2,823,746</u>
<u>LIABILITIES</u>				
Cash overdraft	\$ -	\$ 77,356	\$ -	\$ 77,356
Accounts payable	34,504	31,846	202	66,552
Accrued payroll liabilities	31,234	-	-	31,234
Total liabilities	<u>\$ 65,738</u>	<u>\$ 109,202</u>	<u>\$ 202</u>	<u>\$ 175,142</u>
<u>FUND BALANCE</u>				
Nonspendable	\$ 37,351	\$ 112	\$ -	\$ 37,463
Restricted	-	-	326,409	326,409
Unassigned	2,296,150	(11,418)	-	2,284,732
Total fund balance	<u>2,333,501</u>	<u>(11,306)</u>	<u>326,409</u>	<u>2,648,604</u>
Total liabilities and fund balance	<u>\$ 2,399,239</u>	<u>\$ 97,896</u>	<u>\$ 326,611</u>	<u>\$ 2,823,746</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, 2012

Total fund balance - governmental funds	\$ 2,648,604
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.	22,052
Compensated absences are not due and payable in the current period and therefore, are not reported as liabilities in the funds.	<u>(14,313)</u>
Net assets of governmental activities	<u><u>\$ 2,656,343</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, 2012

	<u>General Fund</u>	<u>Education Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
Local Sources	\$ 1,766,205	\$ 13,000	\$ 513,168	\$ 2,292,373
State Sources	636,068	711,003	104,549	1,451,620
Federal Sources	-0-	554,213	-0-	554,213
Total Direct Revenues	<u>2,402,273</u>	<u>1,278,216</u>	<u>617,717</u>	<u>4,298,206</u>
On-behalf Payments	<u>376,098</u>	<u>-0-</u>	<u>-0-</u>	<u>376,098</u>
Total Revenues	<u>2,778,371</u>	<u>1,278,216</u>	<u>617,717</u>	<u>4,674,304</u>
<u>EXPENDITURES</u>				
Instruction	730,151	418,665	-0-	1,148,816
Support Services	1,424,910	1,065,315	368,633	2,858,858
Community Services	-0-	-0-	-0-	-
Nonprogrammed Charges	<u>-0-</u>	<u>137,829</u>	<u>-0-</u>	<u>137,829</u>
Total Direct Expenditures	<u>2,155,061</u>	<u>1,621,809</u>	<u>368,633</u>	<u>4,145,503</u>
On-behalf Payments	<u>376,098</u>	<u>-0-</u>	<u>-0-</u>	<u>376,098</u>
Total Expenditures	<u>2,531,159</u>	<u>1,621,809</u>	<u>368,633</u>	<u>4,521,601</u>
Net Change in Fund Balance	247,212	(343,593)	249,084	152,703
Fund Balance (Deficit), July 1, 2011	<u>2,086,289</u>	<u>332,287</u>	<u>77,325</u>	<u>2,495,901</u>
Fund Balance (Deficit), June 30, 2012	<u>\$ 2,333,501</u>	<u>\$ (11,306)</u>	<u>\$ 326,409</u>	<u>\$ 2,648,604</u>

The notes to the financial statements 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, 2012

Net change in fund balances	\$	152,703
<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	\$ 1,134	
Depreciation expense	<u>(63,698)</u>	(62,564)
<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>		
		(32,692)
<p>Expenditures in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds</p>		
		<u>(158)</u>
Change in net assets of governmental activities	\$	<u><u>57,289</u></u>

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, 2012

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, 2012

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, 2012

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 used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than 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, 2012

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, Title I - School Improvement and Accountability, 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 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.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes To The Financial Statements

June 30, 2012

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.

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 funds. 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: Special Revenue Funds used to account for and report the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are legally restricted to expenditures for specified purposes. 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, 2012

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, 2012

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.

F. New Accounting Pronouncements:

Effective for the year ending June 30, 2012, the Center adopted GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes To The Financial Statements

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

F. New Accounting Pronouncements (concluded):

In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. 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, 2012, the Center adopted GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions- an amendment of GASB Statement No. 53*. This Statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. In addition, it sets forth the criterion that establishes when the effective hedging relationship continues and hedge accounting should continue to be applied. 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 in 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 years ended June 30, 2012 and June 30, 2011, the Executive Director granted a total of 51.50 days or \$14,313 and 51 days or \$14,155, respectively in vacation accruals and thus, a liability has been accrued.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes To The Financial Statements

June 30, 2012

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).

Federal grants administered that have budgets are as follows: Title I-School Improvement and Accountability , 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 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.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes To The Financial Statements

June 30, 2012

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.

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 \$2,573,742 in cash and investments. This consists of \$2,568,542 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.

	Carrying <u>Amount</u>	Bank <u>Balance</u>
Cash deposits	<u>\$5,000</u>	<u>\$6,703</u>

The deposits shown above were fully covered by depository insurance.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes to The Financial Statements

June 30, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (concluded):

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, 2012, 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.

B. Capital Assets:

The governmental activities capital asset activity for the year ended June 30, 2012 is as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
Cost:				
Equipment	<u>\$702,470</u>	<u>\$1,134</u>	<u>\$31,305</u>	<u>\$672,299</u>
Accumulated Depreciation:				
Equipment	<u>\$617,854</u>	<u>\$63,698</u>	<u>\$31,305</u>	<u>\$650,247</u>
Total Capital Assets, Net				
Equipment	<u>\$84,616</u>	<u>\$(62,564)</u>	<u>\$-0-</u>	<u>\$22,052</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	<u>\$50,958</u>
Depreciation not charged to a specific function	<u>12,740</u>
Total depreciation for governmental activities	<u>\$63,698</u>

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes to The Financial Statements

June 30, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

C. Lease Commitments:

North Cook Intermediate Service Center No. 1 has entered into two 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

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.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes to The Financial Statements

June 30, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

C. Lease Commitments (concluded):

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 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, 2012 for each of the next five years and in the aggregate are:

<u>Year Ended June 30</u>	
2013	\$ 443,121
2014	458,225
2015	122,100
Thereafter	8,509
	<u>\$1,031,955</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>	
2013	\$10,626
2014	10,626
2015	1,771
	<u>\$23,023</u>

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes to The Financial Statements

June 30, 2012

3. DETAILED NOTES ON ALL FUNDS (concluded)

D. Accounts Receivable:

Accounts receivable at June 30, 2012 consisted of the following amounts due from Federal, State and Local programs:

Governmental Claims:

Title I – School Improvement & Accountability	<u>\$97,784</u>
Accounts Receivable- Governmental Claims	\$97,784
Local Programs	<u>30,631</u>
Accounts Receivable at June 30, 2012	<u>\$128,415</u>

E. Deferred Revenue

Deferred revenue is recognized in programs where program monies have been received but not yet spent. There was no deferred revenue at June 30, 2012.

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

TRS Members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2012, was 9.4 percent of creditable earnings. 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, 2011 and 2010.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes to The Financial Statements

June 30, 2012

4. OTHER INFORMATION (continued)

B. Employee Retirement Systems & Plans (continued):

Teachers' Retirement System (continued)

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, 2012, State of Illinois contributions were based on 24.91 percent of creditable earnings not paid from federal funds, and the Center recognized revenue and expenditures of \$363,265 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2011, and June 30, 2010, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 23.10 percent (\$385,789) and 23.38 percent (\$508,425), 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, 2012 were \$8,458. Contributions for the years ending June 30, 2011 and June 30, 2010 were \$9,686 and \$12,613, 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, 2012, the employer pension contribution was 24.91 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2011 and 2010, the employer contributions were 23.10 and 23.38 percent of salaries paid from federal and special trust funds, respectively.

For the year ended June 30, 2012, salaries totaling \$145,540 were paid from federal and special trust funds that required employer contributions of \$36,254. For the years ended June 30, 2011, and June 30, 2010, required Center contributions were \$36,264 and \$47,792, 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.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes to The Financial Statements

June 30, 2012

4. OTHER INFORMATION (continued)

B. Employee Retirement Systems & Plans (continued):

Teachers' Retirement System (continued)

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

For the year ended June 30, 2012, the Center paid \$-0- to TRS for employer contributions under the ERO program. For the years ended June 30, 2011 and June 30, 2010, 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, 2012, the Center paid \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2011 and June 30, 2010, the Center paid \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent, respectively.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary rate reported by the granting employer during the four-year sick leave review period, and the TRS total normal cost rate (17.83 percent of salary during the year ended June 30, 2012).

For the year ended June 30, 2012, the Center paid \$-0- to TRS for sick leave days granted in excess of the normal annual allotment. For the years ended June 30, 2011 and June 30, 2010, 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, 2011. The report for the year ended June 30, 2012, is expected to be available in late 2012. 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

Intermediate Service Center No. 1's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Center's plan is 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.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes to The Financial Statements

June 30, 2012

4. OTHER INFORMATION (continued)

B. Employee Retirement Systems & Plans (concluded):

Illinois Municipal Retirement Fund (concluded)

Funding Policy

As set by statute, the Center's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2011 used by the employer was 8.43 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2011 was 9.92 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

For fiscal year ending June 30, 2012, Intermediate Service Center No. 1's actual contributions for pension cost for the Regular were \$17,183. The required contribution for fiscal year 2012 was \$20,221.

Three-Year Trend Information for the Regular Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$ 20,075	86%	\$ 6,167
6/30/11	\$ 21,807	85%	\$ 3,275
12/31/09	\$ 26,006	100%	\$ -0-

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, 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 Intermediate Service Center No. 1's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Center's Regular plan's unfunded actuarial accrued liability at December 31, 2009 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, 2011, the most recent actuarial valuation date, the Regular plan was 91.99 percent funded. The actuarial accrued liability for benefits was \$582,444 and the actuarial value of assets was \$535,781, resulting in an underfunded actuarial accrued liability (UAAL) of \$46,663. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$457,895 and the ratio of the UAAL to the covered payroll was 10 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, 2012

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, 2012. 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, 2012

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	-
	-
NET OPEB OBLIGATION END OF YEAR	\$ 4,693

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%

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes to The Financial Statements

June 30, 2012

4. OTHER INFORMATION (continued)

C. Postemployment Benefits other than Pensions (continued)

1) Illinois Municipal Retirement Fund (concluded)

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

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

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

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 advanced 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 retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants may participate in the State administered participating provider option plan or choose from several managed care options. The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes to The Financial Statements

June 30, 2012

4. OTHER INFORMATION (concluded)

C. Postemployment Benefits other than Pensions (concluded)

2) Teacher Health Insurance Security Fund (concluded)

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. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by CMS with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the State to make a contribution to THIS Fund. The percentage of employer required contributions in the future will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

On behalf contributions to THIS Fund

The State of Illinois makes employer retiree health insurance contributions on behalf of 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, 2012. State of Illinois contributions were \$12,833, 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 years ended June 30, 2011 and June 30, 2010 were 0.88 percent and 0.84 percent, respectively. State contributions on behalf of Center employees were \$14,697 and \$18,267, respectively.

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, 2012 and June 30, 2011, and 0.63 percent during the year ended June 30, 2010. For the year ended June 30, 2012, North Cook Intermediate Service Center No. 1 paid \$9,592 to the THIS Fund. For the years ended June 30, 2011 and June 30, 2010, the Center paid \$11,023 and \$13,700 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	\$ 363,265
Teachers' Health Insurance Security	<u>12,833</u>
	<u>\$ 376,098</u>

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

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes to The Financial Statements

June 30, 2012

6. OTHER REQUIRED FUND DISCLOSURES:

Deficit fund balances at June 30, 2012 are as follows:

Education Fund \$11,306

The deficit fund balance is due to the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which require that grant revenue can only be recognized when collected during the fiscal year or collected soon after the end of the fiscal year to be available to pay the liabilities of the current fiscal period. It is expected that this deficit will continue into the future.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 12, 2013, 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, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	\$535,781	\$582,444	\$46,663	91.99%	\$457,895	10.19%
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%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$505,220. On a market basis, the funded ratio would be 86.74%.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Post Employment Benefits other than Pensions - Schedule of Funding Progress
(Unaudited)
 June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
Local Sources			
Investment Income	\$ 20,000	\$ 17,837	\$ (2,163)
Services Provided Other LEA's	1,735,000	1,651,222	(83,778)
Local Fees	24,000	97,146	73,146
Total Local Sources	1,779,000	1,766,205	(12,795)
State Sources			
Regional Safe Schools - General State Aid	655,000	636,068	(18,932)
Total State Sources	655,000	636,068	(18,932)
Total Direct Revenues	2,434,000	2,402,273	(31,727)
On-Behalf Payments	-0-	376,098	376,098
Total Revenues	2,434,000	2,778,371	344,371

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Budgetary Comparison Schedules

General Fund (Continued)

Year Ended June 30, 2012

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Instruction			
High School Programs			
Salaries	513,000	494,600	18,400
Employee Benefits	188,200	184,870	3,330
Purchased Services	31,735	28,519	3,216
Supplies and Materials	32,266	21,851	10,415
Capital Outlay	5,000	311	4,689
Total Instruction	<u>770,201</u>	<u>730,151</u>	<u>40,050</u>
Support Services			
Pupils			
Attendance and Social Work Services			
Salaries	190,000	145,361	44,639
Employee Benefits	55,700	50,524	5,176
Guidance Services			
Salaries	79,000	82,060	(3,060)
Employee Benefits	15,700	12,061	3,639
Purchased Services	3,000	1,800	1,200
Supplies and Materials	10,000	5,475	4,525
Total Pupils	<u>353,400</u>	<u>297,281</u>	<u>56,119</u>
Instructional Staff			
Improvement of Instruction Services			
Purchased Services	3,000	3,975	(975)
Supplies and Materials	1,000	794	206
Total Instructional Staff	<u>4,000</u>	<u>4,769</u>	<u>(769)</u>
General Administration			
Executive Administrative Services			
Employee Benefits	-0-	-0-	-0-
Purchased Services	-0-	-0-	-0-
Special Area Administrative Services			
Salaries	113,300	185,040	(71,740)
Employee Benefits	76,400	78,102	(1,702)
Purchased Services	218,500	153,208	65,292
Supplies and Materials	37,000	10,341	26,659
Other Objects	-0-	599	(599)
Total General Administration	<u>445,200</u>	<u>427,290</u>	<u>17,910</u>

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended June 30, 2012

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ROE Services			
Salaries	6,500	6,303	197
Employee Benefits	500	482	18
Purchased Services	800	1,531	(731)
Supplies and Materials	400	141	259
Other Objects	200	165	35
Total ROE Services	<u>8,400</u>	<u>8,622</u>	<u>(222)</u>
School Administration			
Other Support Services			
Salaries	180,000	111,996	68,004
Employee Benefits	11,800	14,607	(2,807)
Total School Administration	<u>191,800</u>	<u>126,603</u>	<u>65,197</u>
Business			
Fiscal Services			
Salaries	29,400	29,380	20
Employee Benefits	5,220	5,218	2
Facilities Acquisition			
Purchased Services	9,000	4,880	4,120
Operations and Maintenance of Plant			
Purchased Services	328,600	345,730	(17,130)
Supplies and Materials	17,500	20,136	(2,636)
Pupil Transportation Services			
Purchased Services	34,500	24,285	10,215
Food Services			
Purchased Services	90,000	70,702	19,298
Total Business	<u>514,220</u>	<u>500,331</u>	<u>13,889</u>
Other Support Services			
Purchased Services	-0-	33,153	(33,153)
Other Objects	-0-	26,861	(26,861)
Total Other Support Services	<u>-0-</u>	<u>60,014</u>	<u>(60,014)</u>
Total Support Services	<u>1,517,020</u>	<u>1,424,910</u>	<u>92,110</u>
Total Direct Expenditures	<u>2,287,221</u>	<u>2,155,061</u>	<u>132,160</u>
On-behalf Payments	-0-	376,098	(376,098)
Total Expenditures	<u>2,287,221</u>	<u>2,531,159</u>	<u>(243,938)</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>\$ 146,779</u>	<u>\$ 247,212</u>	<u>\$ 100,433</u>
Fund Balance, Beginning of Year		<u>2,086,289</u>	
Fund Balance, End of Year		<u>\$ 2,333,501</u>	

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Budgetary Comparison Schedule
Education Fund
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Local Sources			
Local Fees	\$ 6,000	\$ 13,000	\$ 7,000
Total Local Sources	<u>6,000</u>	<u>13,000</u>	<u>7,000</u>
State Sources			
Regional Safe Schools	520,000	581,342	61,342
I.S.C. Operations	<u>203,094</u>	<u>129,661</u>	<u>(73,433)</u>
Total State Sources	<u>723,094</u>	<u>711,003</u>	<u>(12,091)</u>
Federal Sources			
Title I - School Improvement & Accountability	602,236	513,218	(89,018)
Title I - Grants to Local Educational Agencies, Recovery Act	-0-	39,992	39,992
Education Jobs Fund	<u>-0-</u>	<u>1,003</u>	<u>1,003</u>
Total Federal Sources	<u>602,236</u>	<u>554,213</u>	<u>(48,023)</u>
Total Direct Revenues	<u>1,331,330</u>	<u>1,278,216</u>	<u>(53,114)</u>
On-Behalf Payments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Revenues	<u>1,331,330</u>	<u>1,278,216</u>	<u>(53,114)</u>

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Budgetary Comparison Schedules
Education Fund (Continued)
Year Ended June 30, 2012

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Instruction			
High School Programs			
Salaries	418,665	418,665	-0-
Total Instruction	418,665	418,665	-0-
Support Services			
Pupils			
Attendance and Social Work Services			
Salaries	162,677	162,677	-0-
Total Pupils	162,677	162,677	-0-
Instructional Staff			
Improvement of Instruction Services			
Salaries	31,836	-0-	31,836
Employee Benefits	9,779	-0-	9,779
Purchased Services	435,035	380,373	54,662
Supplies and Materials	7,698	1,967	5,731
Total Instructional Staff	484,348	382,340	102,008
General Administration			
Executive Administrative Services			
Salaries	91,300	118,566	(27,266)
Employee Benefits	29,900	65,281	(35,381)
Purchased Services	51,000	30,990	20,010
Supplies and Materials	15,000	10,451	4,549
Capital Outlay	2,000	822	1,178
Other Objects	12,000	12,164	(164)
Total General Administration	201,200	238,274	(37,074)
Business			
Fiscal Services			
Salaries	16,000	21,244	(5,244)
Employee Benefits	2,270	5,294	(3,024)
Purchased Services	43,000	45,898	(2,898)
Operations and Maintenance of Plant			
Purchased Services	155,000	143,356	11,644
Supplies and Materials	5,000	3,771	1,229
Pupil Transportation Services			
Salaries	37,000	26,433	10,567
Employee Benefits	12,650	6,544	6,106
Purchased Services	25,300	27,001	(1,701)
Supplies and Materials	1,000	826	174
Other Objects	100	955	(855)
Total Business	297,320	281,322	15,998

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Budgetary Comparison Schedule
Education Fund (Continued)
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
<u>EXPENDITURES</u>			
Other Support Services			
Salaries	14,229	-0-	14,229
Employee Benefits	2,937	-0-	2,937
Purchased Services	9,597	702	8,895
Total Other Support Services	26,763	702	26,061
Total Support Services	1,172,308	1,065,315	106,993
Nonprogrammed Charges			
Other Payments to In-State Government Units			
Purchased Services	97,125	137,829	(40,704)
Total Nonprogrammed Charges	97,125	137,829	(40,704)
Total Direct Expenditures	1,688,098	1,621,809	66,289
On-behalf Payments	-0-	-0-	-0-
Total Expenditures	1,688,098	1,621,809	66,289
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (356,768)	\$ (343,593)	\$ 13,175
Fund Balance, Beginning of Year		332,287	
Fund Balance, End of Year		\$ (11,306)	

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Budgetary Comparison Schedule
Nonmajor Special Revenue Fund
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Local Sources			
Institute	\$ 407,000	\$ 513,168	\$ 106,168
Total Local Sources	<u>407,000</u>	<u>513,168</u>	<u>106,168</u>
State Sources			
Bus Driver Certification	35,000	49,502	14,502
Bus Driver Training	<u>57,000</u>	<u>55,047</u>	<u>(1,953)</u>
Total State Sources	<u>92,000</u>	<u>104,549</u>	<u>12,549</u>
Total Direct Revenues	<u>499,000</u>	<u>617,717</u>	<u>118,717</u>
On-Behalf Payments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Revenues	<u>499,000</u>	<u>617,717</u>	<u>118,717</u>
<u>EXPENDITURES</u>			
Support Services			
Instructional Staff			
Improvement of Instruction Services			
Salaries	15,000	15,000	-0-
Purchased Services	86,500	73,399	13,101
Supplies and Materials	17,000	15,814	1,186
Other Objects	<u>-0-</u>	<u>1,295</u>	<u>(1,295)</u>
Total Instructional Staff	<u>118,500</u>	<u>105,508</u>	<u>12,992</u>
ROE Services			
Salaries	121,000	127,342	(6,342)
Employee Benefits	39,950	41,350	(1,400)
Purchased Services	107,250	91,970	15,280
Supplies and Materials	6,500	2,188	4,312
Other Objects	<u>800</u>	<u>275</u>	<u>525</u>
Total ROE Services	<u>275,500</u>	<u>263,125</u>	<u>12,375</u>
Total Support Services	<u>394,000</u>	<u>368,633</u>	<u>25,367</u>
Total Direct Expenditures	<u>394,000</u>	<u>368,633</u>	<u>25,367</u>
On-behalf Payments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Expenditures	<u>394,000</u>	<u>368,633</u>	<u>25,367</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 105,000</u>	<u>\$ 249,084</u>	<u>\$ 144,084</u>
Fund Balance, Beginning of Year		<u>77,325</u>	
Fund Balance, End of Year		<u>\$ 326,409</u>	

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/ Program or Cluster Title	CFDA Number (A)	Project # or Contract # (B)	Expenditures	
			7/01/10 - 6/30/11 (C)	7/01/11 - 06/30/12 (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	11-4331-SS	\$ 316,821	\$ 199,572
Title I - School Improvement & Accountability (M)	84.010A	12-4331-SS	-0-	359,941
Title I - Grants to Local Educational Agencies, Recovery Act	84.389	11-4854-00	299,443	-0-
Total Title I - Part A Cluster:			616,264	559,513
ARRA Education Jobs Fund	84.410	11-4880-93	66,741	-0-
ARRA Education Jobs Fund	84.410	12-4880-93	-0-	1,003
			66,741	1,003
Total Expenditures of Federal Awards			\$ 683,005	\$ 560,516

(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, 2012

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

Title I – School Improvement & Accountability:

This program is part of the Center's System of Support Coordination and Services Plan. The program is part of a strategy to nurture and assist low-performing schools in 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.

NOTE 4 – NON-CASH ASSISTANCE

-NONE-

NOTE 5 – AMOUNT OF INSURANCE

-NONE-

NOTE 6 – LOANS OR LOAN GUARANTEES OUTSTANDING

-NONE-