

STATE OF ILLINOIS  
NORTH COOK  
INTERMEDIATE SERVICE CENTER NO. 1  
FINANCIAL AUDIT  
FOR THE YEAR ENDED JUNE 30, 2013

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

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

### NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Executive Director	(Retired 06/30/2013)	Mr. Robert Ingraffia
Executive Director	(Current – Effective 7/1/13)	Dr. Bruce Brown
Administrative Assistant	(Current and during audit period)	Ms. Cindy Cirillo
Business Manager	(Current and during audit period)	Ms. Virginia Clark

Offices are located at:

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

**FINANCIAL REPORT**  
**SUMMARY**

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

**AUDITORS' REPORTS**

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

**SUMMARY OF AUDIT FINDINGS**

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

**SUMMARY OF FINDINGS AND RESPONSES**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
		FINDINGS (GOVERNMENT AUDITING STANDARDS)	
		-N/A-	
		FINDINGS AND RESPONSES (FEDERAL COMPLIANCE)	
		-N/A-	
		PRIOR AUDIT FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)	
		-N/A-	
		PRIOR AUDIT FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)	
		-N/A-	

**EXIT CONFERENCE**

The Center waived having an exit conference per a letter dated February 26, 2014.

**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 unmodified 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

**Report on the Financial Statements**

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Cook Intermediate Service Center No. 1, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the North Cook Intermediate Service Center No. 1's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Cook Intermediate Service Center No. 1, as of June 30, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other matters**

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Illinois Municipal Retirement Fund Schedule of Funding Progress and the Post Employment Benefits other than Pensions Schedule of Funding Progress, on pages 12 through 15, page 44, and page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Cook Intermediate Service Center No. 1's basic financial statements. The Budgetary Comparison Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated February 26, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Cook Intermediate Service Center No. 1's internal control over financial reporting and compliance.

*Bass, Johnson & Howell, LLP*

Palatine, Illinois  
February 26, 2014

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

Honorable William G. Holland  
Auditor General  
State of Illinois

Board of Directors  
North Cook Intermediate Service Center No. 1

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Cook Intermediate Service Center No. 1, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the North Cook Intermediate Service Center No. 1's basic financial statements and have issued our report thereon dated February 26, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered North Cook Intermediate Service Center No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Cook Intermediate Service Center No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those in charge with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Cook Intermediate Service Center No. 1's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Cook Intermediate Service Center No. 1's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bass, Johnson & O'Neill, LLP*

Palatine, Illinois  
February 26, 2014

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Schedule of Findings and Responses**  
Year Ended June 30, 2013

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

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

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

**Schedule of Findings and Responses**

Year Ended June 30, 2013

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**Section II – Financial Statement Findings - None**

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Summary Schedule of Prior Audit Findings**  
Year Ended June 30, 2013

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<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
	None	

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, 2013

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As management of North Cook Intermediate Service Center No. 1, we offer the readers of the financial statements this narrative overview and analysis of the financial activities of North Cook Intermediate Service Center No. 1 for the year ended June 30, 2013.

Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 issued in June 1999. Certain comparative information between the current year (ended June 30, 2013) and the prior year (ended June 30, 2012) is required to be presented in the MD&A.

MD&A is provided at the beginning of the report to provide an overview of North Cook Intermediate Service Center No. 1's financial position at June 30, 2013 and the results of operations for the year. This summary should not be taken as a replacement for the audit report, which consists of the financial statements, notes to the financial statements, required and other supplementary information.

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

The financial section of this annual report consists of four parts – Independent Auditor's Reports, required supplementary information which includes the MD&A (this section), the basic financial statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of 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 Position 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 position. Over time, increases or decreases in net position 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 position 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 funds, which is in conformity with the Illinois Program Accounting Manual for Local Education Agencies and accounting principles generally accepted in the United States of America. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is, when they become both "Measurable" and "Available" to finance expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

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

### 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 Position For Fiscal Years Ending:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Assets:		
Current Assets	\$ 2,251,247	\$ 2,746,390
Non-current Assets		
Capital Assets, net	<u>11,982</u>	<u>22,052</u>
Total Assets	<u>2,263,229</u>	<u>2,768,442</u>
Deferred Outflows of Resources	<u>0</u>	<u>0</u>
Liabilities:		
Current Liabilities	96,803	97,786
Noncurrent Liabilities	<u>8,450</u>	<u>14,313</u>
Total Liabilities	<u>105,253</u>	<u>112,099</u>
Deferred Inflows of Resources	<u>0</u>	<u>0</u>
Net investments in capital assets	11,982	22,052
Restricted for educational purposes	166,556	352,454
Unrestricted	<u>1,979,438</u>	<u>2,281,837</u>
Total Net Position	<u>\$2,157,976</u>	<u>\$ 2,656,343</u>

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

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

Current assets consist of cash and investments, prepaid expense, accrued interest receivable and accounts receivable -governmental claims. As of June 30, 2013, North Cook Intermediate Service Center No. 1 had no outstanding long-term debt.

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

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

<b>Changes in Net Position For Fiscal Years Ending:</b>		
	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Revenues received:		
Program:		
Operating grants and contributions	\$1,526,097	\$1,973,141
General:		
Local sources	1,765,109	2,274,536
On-behalf payments	416,147	376,098
Investment Income	<u>21,427</u>	<u>17,837</u>
Total revenue received	<u>3,728,780</u>	<u>4,641,612</u>
Expenditures disbursed:		
Instructional services:		
Instruction	1,168,726	1,198,798
Supporting Services	2,520,903	2,858,858
Nonprogrammed Charges	116,103	137,829
Administrative services:		
On-behalf payments	416,147	376,098
Unallocated Depreciation Expense	<u>5,268</u>	<u>12,740</u>
Total expenditures disbursed	<u>4,227,147</u>	<u>4,584,323</u>
Change in net position	(498,367)	57,289
Net position - beginning	<u>2,656,343</u>	<u>2,599,054</u>
Net position - ending	<u>\$2,157,976</u>	<u>\$2,656,343</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 \$3,728,780. Federal and State grants financed 41% of this or \$1,526,097. Local sources consisting of primarily tuition was the next largest contributor with \$1,765,109.

General Fund revenues decreased by \$434,828 (18%) from \$2,402,273 in FY 2012 to \$1,967,445 in FY 2013. General Fund's expenditures increased by \$157,997 (7%) from \$2,155,061 in FY 2012 to \$2,313,058 in FY 2013.

Education Fund revenues decreased by \$314,401 (25%) from \$1,278,216 in FY 2012 to \$963,815 in FY 2013. Expenditures decreased by \$453,609 (28%) from \$1,621,809 in FY 2012 to \$1,168,200 in FY 2013.

Nonmajor Special Revenue Fund revenues decreased by \$241,612 (39%) from \$617,717 in FY 2012 to \$376,105 in FY 2013. Expenditures decreased by \$48,366 (13%) from \$368,633 in FY 2012 to \$320,267 in FY 2013.

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Required Supplementary Information**  
**Management Discussion and Analysis (Continued)**  
Year Ended June 30, 2013

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**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, 2013, the North Cook Intermediate Service Center No. 1 invested \$16,270 in new computers and other miscellaneous computer hardware.

Net position

During the year, net position and net position invested in capital assets decreased \$498,367. Total revenue for fiscal year ended June 30, 2012 was \$4,641,612 and decreased by \$912,832 to \$3,728,780 for fiscal year ended June 30, 2013. This was mainly due to a decrease in State and Federal grant monies. Expenses decreased by \$357,176 from \$4,584,323 in fiscal year ended June 30, 2012, to \$4,227,147 during fiscal year ended June 30, 2013. Expenditures were lower in fiscal year 2013 compared to fiscal year 2012 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 than anticipated primarily due to a fewer 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 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 Dr. Bruce Brown, 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 Position - Governmental Activities

June 30, 2013

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<b><u>ASSETS</u></b>	
Current assets:	
Cash and investments	\$ 2,152,255
Prepaid expenses	4,621
Accrued interest receivable	5,120
Accounts receivable	<u>89,251</u>
Total current assets	<u>2,251,247</u>
Noncurrent assets:	
Capital Assets, being depreciated, net	<u>11,982</u>
Total noncurrent assets	<u>11,982</u>
Total assets	<u>2,263,229</u>
Deferred Outflows of Resources	<u>-0-</u>
<b><u>LIABILITIES</u></b>	
Current Liabilities:	
Accounts payable	50,264
Due to other governments	10,320
Accrued payroll liabilities	<u>36,219</u>
Total current liabilities	<u>96,803</u>
Noncurrent Liabilities:	
Accrued compensated absences	<u>8,450</u>
Total noncurrent liabilities	<u>8,450</u>
Total liabilities	<u>105,253</u>
Deferred Inflows of Resources	<u>-0-</u>
<b><u>NET POSITION</u></b>	
Net invested capital assets	11,982
Restricted for educational purposes	166,556
Unrestricted	<u>1,979,438</u>
Total net position	<u>\$ 2,157,976</u>

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Statement of Activities

Year Ended June 30, 2013

	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position
		Operating Grants and Contributions	Primary Government Governmental Activities
<b>FUNCTIONS/PROGRAMS</b>			
Primary government:			
Governmental activities:			
Instructional Services:			
Instruction	\$ 1,168,726	\$ 602,190	\$ (566,536)
Supporting Services	2,520,903	813,620	(1,707,283)
Community Services	-0-	-0-	-0-
Nonprogrammed Charges	116,103	110,287	(5,816)
Administrative:			
On-behalf payments	416,147	-0-	(416,147)
Unallocated Depreciation Expense	5,268	-0-	(5,268)
Total governmental activities	\$ 4,227,147	\$ 1,526,097	(2,701,050)
General revenues:			
Local sources			1,765,109
On-behalf payments			416,147
Investment Income			21,427
Total general revenues			2,202,683
Change in net position			(498,367)
Net position - beginning			2,656,343
Net position - ending			\$ 2,157,976

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, 2013

<u>ASSETS</u>	<u>General Fund</u>	<u>Education Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 928,884		\$ 382,509	\$ 1,311,393
Investments	1,102,766	-	-	1,102,766
Prepaid Expenses		4,621	-	4,621
Accrued interest receivable	5,120	-	-	5,120
Accounts Receivable		89,251	-	89,251
<b>Total assets</b>	<b>\$ 2,036,770</b>	<b>\$ 93,872</b>	<b>\$ 382,509</b>	<b>\$ 2,513,151</b>
Deferred Outflows of Resources	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 2,036,770</b>	<b>\$ 93,872</b>	<b>\$ 382,509</b>	<b>\$ 2,513,151</b>
 <u>LIABILITIES</u>				
Cash overdraft	\$ -	\$ 261,904	\$ -	\$ 261,904
Accounts payable	12,663	37,339	262	50,264
Accrued payroll liabilities	36,219	-	-	36,219
Due to other governments	-	10,320	-	10,320
<b>Total liabilities</b>	<b>\$ 48,882</b>	<b>\$ 309,563</b>	<b>\$ 262</b>	<b>\$ 358,707</b>
Deferred Inflows of Resources	-	-	-	-
 <u>FUND BALANCE</u>				
Nonspendable	\$ -	\$ 4,621	\$ -	\$ 4,621
Restricted	-	-	382,247	382,247
Unassigned	1,987,888	(220,312)	-	1,767,576
<b>Total fund balance</b>	<b>1,987,888</b>	<b>(215,691)</b>	<b>382,247</b>	<b>2,154,444</b>
<b>Total liabilities, deferred inflows and fund balance</b>	<b>\$ 2,036,770</b>	<b>\$ 93,872</b>	<b>\$ 382,509</b>	<b>\$ 2,513,151</b>

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 Position - Governmental Funds**  
June 30, 2013

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Total fund balance - governmental funds	\$ 2,154,444
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	11,982
Compensated absences are not due and payable in the current period and therefore, are not reported as liabilities in the funds.	<u>(8,450)</u>
Net position of governmental activities	<u><u>\$ 2,157,976</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 Balances**  
**Governmental Funds**  
Year Ended June 30, 2013

	<u>General Fund</u>	<u>Education Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>				
Local Sources	\$ 1,464,210	\$ -0-	\$ 317,058	\$ 1,781,268
State Sources	503,235	586,899	59,047	1,149,181
Federal Sources	-0-	376,916	-0-	376,916
Total Direct Revenues	<u>1,967,445</u>	<u>963,815</u>	<u>376,105</u>	<u>3,307,365</u>
On-behalf Payments	<u>416,147</u>	<u>-0-</u>	<u>-0-</u>	<u>416,147</u>
Total Revenues	<u>2,383,592</u>	<u>963,815</u>	<u>376,105</u>	<u>3,723,512</u>
<b><u>EXPENDITURES</u></b>				
Instruction	892,147	276,579	-0-	1,168,726
Support Services	1,420,911	775,518	320,267	2,516,696
Community Services	-0-	-0-	-0-	-
Nonprogrammed Charges	<u>-0-</u>	<u>116,103</u>	<u>-0-</u>	<u>116,103</u>
Total Direct Expenditures	<u>2,313,058</u>	<u>1,168,200</u>	<u>320,267</u>	<u>3,801,525</u>
On-behalf Payments	<u>416,147</u>	<u>-0-</u>	<u>-0-</u>	<u>416,147</u>
Total Expenditures	<u>2,729,205</u>	<u>1,168,200</u>	<u>320,267</u>	<u>4,217,672</u>
Net Change in Fund Balances	(345,613)	(204,385)	55,838	(494,160)
Fund Balances (Deficit), July 1, 2012	<u>2,333,501</u>	<u>(11,306)</u>	<u>326,409</u>	<u>2,648,604</u>
Fund Balances (Deficit), June 30, 2013	<u>\$ 1,987,888</u>	<u>\$ (215,691)</u>	<u>\$ 382,247</u>	<u>\$ 2,154,444</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 Balances to the Statement of Activities**  
**Governmental Funds**  
Year ended June 30, 2013

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Net change in fund balances \$ (494,160)

Amounts reported for governmental activities in the  
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures.  
However, in the Statement of Activities the cost of those  
assets is allocated over their estimated useful lives  
and reported as depreciation expense.

Capital outlay	\$ 16,270	
Depreciation expense	<u>(26,340)</u>	(10,070)

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

5,863

Change in net position of governmental activities \$ (498,367)

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, 2013

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Reporting Entity:

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

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

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

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

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

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes To The Financial Statements

June 30, 2013

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

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

The government-wide financial statements (i.e., the Statement of Net Position 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 Position 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 position. Over time, increases or decreases in net position 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 position of the Intermediate Service Center is classified as follows:

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

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

*Restricted Net Position* – Consists of net position with constraints placed on 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 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, 2013

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

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

The Center has the following fund types:

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

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

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

Governmental funds are those which most governmental functions typically are reported. Governmental fund reporting focuses on the sources, uses, and balances of current financial reporting. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be 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, 2013

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Nonspendable Fund Balance – the portion of a Governmental Fund’s fund balance that is 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 fund balance that is subject to external enforceable legal restrictions. The following account fund balances are restricted by grant agreements or contracts: ISC Operations, Regional Safe Schools, Bus Driver Training and Certification, Institute, Title I - School Improvement and Accountability, and Title II – Teacher Quality Leadership Grant.

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

Assigned Fund Balance – the portion of a Governmental Fund’s fund balance to denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Executive Director. 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 II - Teacher Quality Leadership Grant: The purpose of this grant is to increase academic achievement by improving teacher and principal quality. The program is carried out by increasing the number of highly qualified teachers in classrooms, increasing the number of highly qualified principals and assistant principals in schools, and increasing the effectiveness of teachers and principals by holding LEAs and schools accountable for improvements in student academic achievement.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes To The Financial Statements

June 30, 2013

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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 Position 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, 2013

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The Statement of Net Position 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 position. Net position of the Center is classified as Unrestricted and Restricted Net Position. Unrestricted Net Position represents 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 Position consists of net position with constraints placed on its use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as 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 is those with a cost of \$500 or more.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes To The Financial Statements

June 30, 2013

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

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

##### Capital Assets (concluded)

Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

##### Prepaid Items

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

##### Estimates

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

#### F. New Accounting Pronouncements:

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

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

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes To The Financial Statements

June 30, 2013

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

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

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

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

#### 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.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes To The Financial Statements

June 30, 2013

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

G. Compensated Absences (concluded):

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, 2013 and June 30, 2012, the Executive Director granted a total of 34.50 days or \$8,450 and 51.50 days or \$14,313, respectively in vacation accruals and thus, a liability has been accrued.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data:

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

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

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, 2013

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### 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, 2013, North Cook Intermediate Service Center No. 1 had a total of \$2,152,255 in cash and investments. This consists of \$2,147,055 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>\$10,553</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, 2013

### 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, 2013, 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, 2013 is as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Cost:</b>				
Equipment	<u>\$672,299</u>	<u>\$16,270</u>	<u>\$9,478</u>	<u>\$679,091</u>
<b>Accumulated</b>				
<b>Depreciation:</b>				
Equipment	<u>\$650,247</u>	<u>\$26,340</u>	<u>\$9,478</u>	<u>\$667,109</u>
<b>Total Capital</b>				
<b>Assets, Net</b>				
Equipment	<u>\$22,052</u>	<u>\$(10,070)</u>	<u>\$-0-</u>	<u>\$11,982</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	<u>\$21,072</u>
Depreciation not charged to a specific function	<u>5,268</u>
Total depreciation for governmental activities	<u>\$26,340</u>

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes to The Financial Statements

June 30, 2013

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### 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, 2013

### 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

Total rent expense for fiscal year ended June 30, 2013 was \$364,738

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, 2013 for each of the next five years and in the aggregate are:

<u>Year Ended June 30</u>	
2014	458,225
2015	122,100
Thereafter	<u>8,509</u>
	<u>\$588,834</u>

North Cook Intermediate Service Center No. 1 also leases certain copy equipment under non-cancelable 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>	
2014	10,626
2015	<u>1,771</u>
	<u>\$12,397</u>

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Notes to The Financial Statements**  
June 30, 2013

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3. DETAILED NOTES ON ALL FUNDS (concluded)

D. Accounts Receivable:

Accounts receivable at June 30, 2013 consisted of the following amounts due from Federal, State and Local programs:

Governmental Claims:

ISC Operations	\$18,854
Title I – School Improvement & Accountability	\$51,097
Title II – Teacher Quality - Leadership Grant	<u>\$19,300</u>
Accounts Receivable at June 30, 2013	<u>\$89,251</u>

E. Due to Other Governments:

Intermediate Service Center No. 1's Education Fund and various grant programs have funds due to various governmental units which consist of the following:

Due to Other Governments	
Illinois State Board of Education	<u>\$10,320</u>

F. Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Center does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Center does not have any items that qualify for reporting in this category.

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.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes to The Financial Statements

June 30, 2013

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### 4. OTHER INFORMATION (continued)

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

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

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, 2013, 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, 2012 and 2011.

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, 2013, State of Illinois contributions were based on 28.05 percent of creditable earnings not paid from federal funds, and the Center recognized revenue and expenditures of \$402,931 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2012, and June 30, 2011, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 24.91 percent (\$363,265) and 23.10 percent (\$385,789), 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, 2013 were \$8,332. Contributions for the years ending June 30, 2012 and June 30, 2011 were \$8,458 and \$9,686, 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, 2013, the employer pension contribution was 28.05 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2012 and 2011, the employer contributions were 24.91 and 23.10 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2013, salaries totaling \$0 were paid from federal and special trust funds that required employer contributions of \$0. For the years ended June 30, 2012, and June 30, 2011, required Center contributions were \$36,254 and \$36,264, 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, 2013

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### 4. OTHER INFORMATION (continued)

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

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

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

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

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

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

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and State funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2012. The report for the year ended June 30, 2013, is expected to be available in late 2013. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, 2815 West Washington Street, P.O. Box 19253, Springfield, 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](http://www.imrf.org).

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes to The Financial Statements

June 30, 2013

### 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 2012 used by the Center was 9.27 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2012 was 10.64 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, 2013, Intermediate Service Center No. 1's actual contributions for pension cost for the Regular were \$18,896. The required contribution for fiscal year 2013 was \$21,688.

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

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/13	\$ 21,277	89%	\$ 11,560
6/30/12	\$ 20,075	86%	\$ 6,167
6/30/11	\$ 21,807	85%	\$ 3,275

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% 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, 2010 is being amortized as a level percentage of projected payroll on an open 10 year basis.

#### Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 92.10 percent funded. The actuarial accrued liability for benefits was \$681,220 and the actuarial value of assets was \$627,392, resulting in an underfunded actuarial accrued liability (UAAL) of \$53,828. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$423,663 and the ratio of the UAAL to the covered payroll was 13 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, 2013

### 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 required to have an actuarial valuation for the year ended June 30, 2013. July 1, 2012 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, 2012 membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	-
Terminated Employees Entitled to Benefits but not yet Receiving Them	-
Active Employees	<u>8</u>
 TOTAL	 <u>8</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, 2013

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, 2012 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended June 30, 2013.

Annual OPEB Costs and Net OPEB Obligation

The Intermediate Service Center No. 1's annual OPEB cost (expense) was \$3,170. The annual required contribution was \$3,233, interest on net OPEB obligation was \$235 and the adjustment to the annual required contribution was \$298. 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 2013 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 3,170	\$ -	0%	\$ 3,170

The net OPEB obligation as of June 30, 2013, was calculated as follows:

Annual Required Contribution	\$ 3,233
Interest on Net OPEB Obligation	235
Adjustment to Annual Required Contribution	<u>(298)</u>
Annual OPEB Cost	3,170
Estimated Annual Employer Contribution	<u>(191)</u>
Increase in Net OPEB Obligation	2,979
Net OPEB Obligation Beginning of Year	<u>4,693</u>
<b>NET OPEB OBLIGATION END OF YEAR</b>	<b><u>\$ 7,672</u></b>

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes to The Financial Statements

June 30, 2013

- 4. OTHER INFORMATION (continued)
- C. Postemployment Benefits other than Pensions (continued)
- 1) Illinois Municipal Retirement Fund (continued)

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2009 and 2012, were as follows:

Valuation Date	Actuarial Value of Assets (a)	Actuarial liability - Unit Credit (b)	Unfunded Actuarial Liability (b)-(a)	Funded Ratio (a) / (b)	Covered Payroll (c)	Unfunded Actuarial Accrued liability as a Percentage of Covered Payroll [(b) - (a)] / (c)
7/1/2009	0	\$21,023	\$21,023	0.00%	N/A	N/A
7/1/2012	0	\$16,884	\$16,884	0.00%	N/A	N/A

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, 2012, 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 8.00% with a 5.00% increase for 2018-2019 and later years. Both rates include a 2.00% inflation assumption.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes to The Financial Statements

June 30, 2013

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4. OTHER INFORMATION (continued)

C. Postemployment Benefits other than Pensions (continued)

1) Illinois Municipal Retirement Fund (concluded)

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 level dollar method. The remaining amortization period at July 1, 2012 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.

Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to 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 0.92 percent of pay during the year ended June 30, 2013. State of Illinois contributions were \$13,216, 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, 2012 and June 30, 2011 were 0.88 percent of pay, both years. State contributions on behalf of Center employees were \$12,833 and \$14,697, 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 0.69 percent during the year ended June 30, 2013 and 0.66 percent during the years ended June 30, 2012 and June 30, 2011. For the year ended June 30, 2013, North Cook Intermediate Service Center No. 1 paid \$9,912 to the THIS Fund. For the years ended June 30, 2012 and June 30, 2011, the Center paid \$9,592 and \$11,023 to the THIS Fund, respectively, which was 100 percent of the required contribution.

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Notes to The Financial Statements

June 30, 2013

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4. OTHER INFORMATION (concluded)

C. Postemployment Benefits other than Pensions (concluded)

2) Teacher Health Insurance Security Fund (concluded)

Further information on THIS Fund

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

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	\$ 402,931
Teachers' Health Insurance Security	<u>13,216</u>
	<u>\$ 416,147</u>

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

6. OTHER REQUIRED FUND DISCLOSURES:

Deficit fund balances at June 30, 2013 are as follows:

Education Fund \$215,691

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 February 26, 2014, 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, 2013

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/12	\$627,392	\$681,220	\$53,828	92.10%	\$423,663	12.71%
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%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$650,805. On a market basis, the funded ratio would be 95.54%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with North Cook Intermediate Service Center No. 1. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Post Employment Benefits other than Pensions - Schedule of Funding Progress**  
**(Unaudited)**  
June 30, 2013

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<b>Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability - Unit Credit (b)</b>	<b>Unfunded Actuarial Accrued Liability (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll ( c )</b>	<b>Unfunded Actuarial Accrued Liability as a Percentage of of Covered Payroll [(b-a)]/c)</b>
7/1/09	0	\$21,023	\$21,023	0.00%	N/A	N/A
7/1/12	0	\$16,884	\$16,884	0.00%	N/A	N/A

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Budgetary Comparison Schedule**  
**General Fund**  
Year Ended June 30, 2013

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	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b><u>REVENUES</u></b>			
Local Sources			
Investment Income	\$ 20,000	\$ 21,427	\$ 1,427
Services Provided Other LEA's	1,560,000	1,393,783	(166,217)
Local Fees	25,000	49,000	24,000
Total Local Sources	1,605,000	1,464,210	(140,790)
State Sources			
Regional Safe Schools - General State Aid	506,034	503,235	(2,799)
Total State Sources	506,034	503,235	(2,799)
Total Direct Revenues	2,111,034	1,967,445	(143,589)
On-Behalf Payments	-0-	416,147	416,147
Total Revenues	2,111,034	2,383,592	272,558

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Budgetary Comparison Schedules

### General Fund (Continued)

Year Ended June 30, 2013

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Instruction			
High School Programs			
Salaries	644,199	615,043	29,156
Employee Benefits	182,720	189,015	(6,295)
Purchased Services	35,735	34,077	1,658
Supplies and Materials	28,750	35,254	(6,504)
Capital Outlay	35,000	18,758	16,242
Total Instruction	<u>926,404</u>	<u>892,147</u>	<u>34,257</u>
Support Services			
Pupils			
Attendance and Social Work Services			
Salaries	214,084	141,690	72,394
Employee Benefits	55,070	39,213	15,857
Guidance Services			
Salaries	89,905	89,905	-0-
Employee Benefits	21,780	15,133	6,647
Purchased Services	3,000	1,800	1,200
Supplies and Materials	10,000	8,160	1,840
Total Pupils	<u>393,839</u>	<u>295,901</u>	<u>97,938</u>
Instructional Staff			
Improvement of Instruction Services			
Purchased Services	18,000	41,415	(23,415)
Supplies and Materials	1,000	274	726
Total Instructional Staff	<u>19,000</u>	<u>41,689</u>	<u>(22,689)</u>
General Administration			
Executive Administrative Services			
Employee Benefits	-0-	-0-	-0-
Purchased Services	-0-	-0-	-0-
-16-			
Salaries	257,710	257,459	251
Employee Benefits	66,237	63,689	2,548
Purchased Services	89,500	79,332	10,168
Supplies and Materials	15,000	9,949	5,051
Other Objects	-0-	664	(664)
Total General Administration	<u>428,447</u>	<u>411,093</u>	<u>17,354</u>

# NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

## Budgetary Comparison Schedule

### General Fund (Continued)

Year Ended June 30, 2013

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ROE Services			
Salaries	6,650	6,793	(143)
Employee Benefits	525	519	6
Purchased Services	1,600	1,602	(2)
Supplies and Materials	200	22	178
Other Objects	200	40	160
Total ROE Services	<u>9,175</u>	<u>8,976</u>	<u>199</u>
School Administration			
Other Support Services			
Salaries	165,000	165,000	-0-
Employee Benefits	29,755	33,952	(4,197)
Total School Administration	<u>194,755</u>	<u>198,952</u>	<u>(4,197)</u>
Business			
Fiscal Services			
Salaries	41,850	35,820	6,030
Employee Benefits	10,965	5,396	5,569
Facilities Acquisition			
Purchased Services	7,000	2,841	4,159
Operations and Maintenance of Plant			
Purchased Services	338,760	340,633	(1,873)
Supplies and Materials	-0-	-0-	-0-
Pupil Transportation Services			
Purchased Services	34,000	20,252	13,748
Food Services			
Purchased Services	90,000	58,288	31,712
Total Business	<u>522,575</u>	<u>463,230</u>	<u>59,345</u>
Other Support Services			
Purchased Services	1,080	1,070	10
Other Objects	-0-	-0-	-0-
-11-			
-16-	1,080	1,070	10
Total Support Services	<u>1,568,871</u>	<u>1,420,911</u>	<u>147,960</u>
Total Direct Expenditures	<u>2,495,275</u>	<u>2,313,058</u>	<u>182,217</u>
On-behalf Payments	-0-	416,147	(416,147)
Total Expenditures	<u>2,495,275</u>	<u>2,729,205</u>	<u>(233,930)</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>\$ (384,241)</u>	<u>\$ (345,613)</u>	<u>\$ 38,628</u>
Fund Balance, Beginning of Year		<u>2,333,501</u>	
Fund Balance, End of Year		<u><u>\$ 1,987,888</u></u>	

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Budgetary Comparison Schedule**  
**Education Fund**  
Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>REVENUES</u></b>			
Local Sources			
Local Fees	\$ -0-	\$ -0-	-0-
Total Local Sources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
State Sources			
Regional Safe Schools	385,795	385,795	-0-
I.S.C. Operations	<u>101,997</u>	<u>201,104</u>	<u>99,107</u>
Total State Sources	<u>487,792</u>	<u>586,899</u>	<u>99,107</u>
Federal Sources			
Title I - School Improvement & Accountability	281,789	357,616	75,827
Title II - Teacher Quality - Leadership Grant	<u>-0-</u>	<u>19,300</u>	<u>19,300</u>
Total Federal Sources	<u>281,789</u>	<u>376,916</u>	<u>95,127</u>
Total Direct Revenues	<u>769,581</u>	<u>963,815</u>	<u>194,234</u>
On-Behalf Payments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Revenues	<u>769,581</u>	<u>963,815</u>	<u>194,234</u>

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Budgetary Comparison Schedules**  
**Education Fund (Continued)**  
Year Ended June 30, 2013

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Instruction			
High School Programs			
Salaries	276,514	276,579	(65)
Total Instruction	276,514	276,579	(65)
Support Services			
Pupils			
Attendance and Social Work Services			
Salaries	109,281	109,292	(11)
Total Pupils	109,281	109,292	(11)
Instructional Staff			
Improvement of Instruction Services			
Salaries	-0-	-0-	-0-
Employee Benefits	-0-	-0-	-0-
Purchased Services	284,300	261,906	22,394
Supplies and Materials	4,000	1,399	2,601
Total Instructional Staff	288,300	263,305	24,995
General Administration			
Executive Administrative Services			
Salaries	48,415	48,403	12
Employee Benefits	27,836	28,632	(796)
Purchased Services	42,000	36,300	5,700
Supplies and Materials	15,000	7,191	7,809
Capital Outlay	1,000	1,924	(924)
Other Objects	12,000	9,965	2,035
Total General Administration	146,251	132,415	13,836
Business			
Fiscal Services			
Salaries	6,850	8,951	(2,101)
Employee Benefits	9,355	3,472	5,883
Purchased Services	43,000	41,113	1,887
Operations and Maintenance of Plant			
Purchased Services	164,390	151,473	12,917
Supplies and Materials	-0-	-0-	-0-
Pupil Transportation Services			
Salaries	27,610	27,930	(320)
Employee Benefits	20,275	10,923	9,352
Purchased Services	45,300	24,531	20,769
Supplies and Materials	1,000	310	690
Other Objects	-0-	-0-	-0-
Total Business	317,780	268,703	49,077

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Budgetary Comparison Schedule**  
**Education Fund (Continued)**  
Year Ended June 30, 2013

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	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b><u>EXPENDITURES</u></b>			
Information Services			
Purchased Services	15,000	-0-	15,000
Capital Outlay	5,000	1,803	3,197
Total Information Services	20,000	1,803	18,197
Other Support Services			
Salaries	-0-	-0-	-0-
Employee Benefits	-0-	-0-	-0-
Purchased Services	1,000	-0-	1,000
Total Other Support Services	1,000	-0-	1,000
Total Support Services	882,612	775,518	107,094
Nonprogrammed Charges			
Other Payments to In-State Government Units			
Purchased Services	201,235	116,103	85,132
Total Nonprogrammed Charges	201,235	116,103	85,132
Total Direct Expenditures	1,360,361	1,168,200	192,161
On-behalf Payments	-0-	-0-	-0-
Total Expenditures	1,360,361	1,168,200	192,161
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (590,780)	\$ (204,385)	\$ 386,395
Fund Balance, Beginning of Year		(11,306)	
		\$ (215,691)	

**NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1**  
**Budgetary Comparison Schedule**  
**Nonmajor Special Revenue Fund**  
Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>REVENUES</u></b>			
Local Sources			
Institute	\$ 454,946	\$ 317,058	\$ (137,888)
Total Local Sources	<u>454,946</u>	<u>317,058</u>	<u>(137,888)</u>
State Sources			
Bus Driver Training	<u>59,000</u>	<u>59,047</u>	<u>47</u>
Total State Sources	<u>59,000</u>	<u>59,047</u>	<u>47</u>
Total Direct Revenues	<u>513,946</u>	<u>376,105</u>	<u>(137,841)</u>
On-Behalf Payments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Revenues	<u>513,946</u>	<u>376,105</u>	<u>(137,841)</u>
<b><u>EXPENDITURES</u></b>			
Support Services			
Instructional Staff			
Improvement of Instruction Services			
Salaries	28,340	28,340	-0-
Purchased Services	43,400	22,715	20,685
Supplies and Materials	15,000	5,126	9,874
Other Objects	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Instructional Staff	<u>86,740</u>	<u>56,181</u>	<u>30,559</u>
ROE Services			
Salaries	153,050	135,332	17,718
Employee Benefits	42,765	36,601	6,164
Purchased Services	102,000	91,364	10,636
Supplies and Materials	2,115	764	1,351
Other Objects	<u>300</u>	<u>25</u>	<u>275</u>
Total ROE Services	<u>300,230</u>	<u>264,086</u>	<u>36,144</u>
Total Support Services	<u>386,970</u>	<u>320,267</u>	<u>66,703</u>
Total Direct Expenditures	<u>386,970</u>	<u>320,267</u>	<u>66,703</u>
On-behalf Payments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Expenditures	<u>386,970</u>	<u>320,267</u>	<u>66,703</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 126,976</u>	<u>\$ 55,838</u>	<u>\$ (71,138)</u>
Fund Balance, Beginning of Year		<u>326,409</u>	
Fund Balance, End of Year		<u>\$ 382,247</u>	