

STATE OF ILLINOIS
NORTH COOK
INTERMEDIATE SERVICE CENTER NO. 1
FINANCIAL AUDIT
(IN ACCORDANCE WITH THE SINGLE AUDIT ACT
AND OMB CIRCULAR A-133)
FOR THE YEAR ENDED JUNE 30, 2010

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

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
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OFFICIALS

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

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

Offices are located at:

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

COMPLIANCE REPORT
SUMMARY

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

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

-N/A-

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

-N/A-

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

-N/A-

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

-N/A-

EXIT CONFERENCE

The Center waived having an exit conference per a letter dated January 19, 2011.

FINANCIAL STATEMENT
REPORT SUMMARY

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

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

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
North Cook Intermediate Service Center No. 1

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Cook Intermediate Service Center No. 1, as of and for the year ended June 30, 2010, which collectively comprise the North Cook Intermediate Service Center No. 1's basic financial statements as listed in the table of contents. These financial statements are the responsibility of North Cook Intermediate Service Center No. 1's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Cook Intermediate Service Center No. 1, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 24, 2011 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 on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, the Illinois Municipal Retirement Fund Schedule of Funding Progress and the Post Employment Benefits other than Pensions Schedule of Funding Progress, on pages 14 through 17, page 43 and page 44, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Case, Johnson & Orvell, LLP

Palatine, Illinois
February 24, 2011

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

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
North Cook Intermediate Service Center No. 1

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Cook Intermediate Service Center No. 1, as of and for the year ended June 30, 2010, which collectively comprise the North Cook Intermediate Service Center No. 1's basic financial statements and have issued our report thereon dated February 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Cook Intermediate Service Center No. 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Cook Intermediate Service Center No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Cass, Johnson & O'Neill LLP

Palatine, Illinois
February 24, 2011

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

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
North Cook Intermediate Service Center No. 1

Compliance

We have audited the North Cook Intermediate Service Center No. 1's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of North Cook Intermediate Service Center No. 1's major federal programs for the year ended June 30, 2010. North Cook Intermediate Service Center No. 1's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of North Cook Intermediate Service Center No. 1's management. Our responsibility is to express an opinion on North Cook Intermediate Service Center No. 1's compliance based on our audit.

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

In our opinion, North Cook Intermediate Service Center No. 1 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

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

Cass, Johnson & Oswell, LLP

Palatine, Illinois
February 24, 2011

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Award:

Internal Control over major programs:

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? yes X no

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Section II – Financial Statement Findings - None

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Section III – Federal Award Findings – None

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2010

Finding Number

Condition

Current Status

-N/A-

MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Required Supplementary Information
Management Discussion and Analysis
Year Ended June 30, 2010

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, 2010.

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, 2010) and the prior year (ended June 30, 2009) 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, 2010 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 sector business. In the government-wide financial statements, activities are shown in one category – governmental activities. North Cook Intermediate Service Center No. 1's basic service is education. These activities are largely financed with local, State and federal revenues.

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

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year.

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

The modified accrual basis of accounting is followed by the Governmental fund, which is in conformity with the Illinois Program Accounting Manual for Local Education Agencies and accounting principles generally accepted in the United States of America. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is, when they become both "Measurable" and "Available" to finance expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Required Supplementary Information
Management Discussion and Analysis (Continued)
Year Ended June 30, 2010

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 an individual governmental fund. 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 this fund. This fund is considered a major fund of North Cook Intermediate Service Center No. 1. More detail of the individual revenues and expenditures for this fund 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 Education Fund only, which is in compliance with GASB Statement No. 34.

Condensed Financial Information

Net assets are summarized in the table below.

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets:		
Current Assets	\$ 2,854,203	\$2,697,354
Non-current Assets		
Capital Assets	<u>140,046</u>	<u>199,563</u>
Total Assets	<u>2,994,249</u>	<u>2,896,917</u>
Liabilities:		
Current Liabilities	<u>344,426</u>	<u>200,316</u>
Total Liabilities	<u>344,426</u>	<u>200,316</u>
Net Assets:		
Investments in capital assets, net of debt	140,046	199,563
Unrestricted	<u>2,509,777</u>	<u>2,497,038</u>
Total Net Assets	<u>\$2,649,823</u>	<u>\$2,696,601</u>

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

As of June 30, 2010, North Cook Intermediate Service Center No. 1 had no outstanding long-term debt.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Required Supplementary Information
Management Discussion and Analysis (Continued)
Year Ended June 30, 2010

North Cook Intermediate Service Center No. 1's net assets consist of unrestricted net assets which represent net assets that have not been restricted by an outside party. This includes funds that have been designated for specific uses as well as amounts that are contractually committed for goods and services.

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

Condensed Statement of Activities
For Fiscal Years Ending:

	June 30, 2010	June 30, 2009
Revenues received:		
Program:		
Operating grants and contributions	\$2,976,971	\$2,799,901
General:		
Local sources	1,969,730	2,036,103
On-behalf payments	526,692	355,559
Investment Income	31,017	84,058
Contributions	-0-	-0-
Miscellaneous	<u>64,009</u>	<u>75,156</u>
Total revenue received	<u>5,568,419</u>	<u>5,350,777</u>
Expenditures disbursed:		
Instructional services:		
Instruction	1,646,302	1,570,425
Supporting Services	3,208,875	3,151,475
Community Services	-0-	-0-
Nonprogrammed Charges	220,757	192,002
Administrative services:		
On-behalf payments	526,692	355,559
Unallocated Depreciation Expense	<u>12,571</u>	<u>13,333</u>
Total expenditures disbursed	<u>5,615,197</u>	<u>5,282,794</u>
Change in net assets	(46,778)	67,983
Beginning net assets	<u>2,696,601</u>	<u>2,628,618</u>
Ending net assets	<u>\$2,649,823</u>	<u>\$2,696,601</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, the cost of governmental activities for this year was \$5,615,197. Federal and State grants financed 53% of this or \$2,976,971. Local sources consisting of primarily tuition was the next largest contributor with \$1,969,730.

Capital assets

During the year ended June 30, 2010, the North Cook Intermediate Service Center No. 1 invested \$3,337 in new computers and other miscellaneous computer hardware.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Required Supplementary Information
Management Discussion and Analysis (Continued)
Year Ended June 30, 2010

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

Unrestricted net assets

During the year, unrestricted net assets and net assets invested in capital assets decreased \$46,778. Total revenue for fiscal year ended June 30, 2009 was \$5,350,777 and increased by \$217,642 to \$5,568,419 for fiscal year ended June 30, 2010. This was mainly due to the moderate increase in State and Federal grant monies. Expenses increased by \$332,403 from \$5,282,794 in fiscal year ended June 30, 2009, to \$5,615,197 during fiscal year ended June 30, 2010. Expenditures were higher in fiscal year 2010 compared to fiscal year 2009 due to an increase 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 increased. Local revenues were lower in comparison to the prior year primarily due to a decrease in fees collected for teachers and administrators training services and demands placed on it.

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

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

Contacting the Intermediate Service Center's Financial Management

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

BASIC FINANCIAL STATEMENTS

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Statement of Net Assets - Governmental Activities
Year Ended June 30, 2010

ASSETS

Current assets:	
Cash and investments	\$ 1,910,905
Prepaid expenses	51,938
Accrued interest receivable	20,664
Accounts receivable	<u>870,696</u>
Total current assets	<u>2,854,203</u>
Noncurrent assets:	
Capital Assets, being depreciated, net	<u>140,046</u>
Total noncurrent assets	<u>140,046</u>
Total assets	<u>2,994,249</u>

LIABILITIES

Current Liabilities:	
Accounts payable	56,847
Deferred revenue	248,208
Accrued payroll liabilities	<u>39,371</u>
Total current liabilities	<u>344,426</u>

NET ASSETS

Invested capital assets, net of related debt	140,046
Unrestricted	<u>2,509,777</u>
Total net assets	<u>\$ 2,649,823</u>

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

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Statement of Activities

Year Ended June 30, 2010

	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets
		Operating Grants and Contributions	Primary Government Governmental Activities
FUNCTIONS/PROGRAMS			
Primary government:			
Governmental activities:			
Instructional Services:			
Instruction	\$ 1,646,302	\$ 1,491,582	\$ (154,720)
Supporting Services	3,208,875	1,262,401	(1,946,474)
Community Services	-0-	-0-	-0-
Nonprogrammed Charges	220,757	222,988	2,231
Administrative:			
On-behalf payments	526,692		(526,692)
Unallocated Depreciation Expense	12,571	-0-	(12,571)
Total governmental activities	\$ 5,615,197	\$ 2,976,971	(2,638,226)
General revenues:			
Local sources			1,969,730
On-behalf payments			526,692
Investment Income			31,017
Contributions			-0-
Miscellaneous			64,009
Total general revenues, special and extraordinary items, and transfers			2,591,448
Change in net assets			(46,778)
Net assets - beginning			2,696,601
Net assets - ending			\$ 2,649,823

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, 2010

	<u>Education Fund</u>
<u>ASSETS</u>	
Cash and investments	\$ 1,910,905
Prepaid expenses	51,938
Accrued interest receivable	20,664
Accounts receivable	<u>870,696</u>
Total assets	<u>\$ 2,854,203</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 56,847
Deferred revenue	743,148
Accrued payroll liabilities	<u>39,371</u>
Total liabilities	<u>839,366</u>
<u>FUND BALANCE</u>	
Fund balance - unrestricted	<u>2,014,837</u>
Total fund balance	<u>2,014,837</u>
Total liabilities and fund balance	<u>\$ 2,854,203</u>

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

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2010

Total fund balance - governmental fund	\$ 2,014,837
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	140,046
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>494,940</u>
Net assets of governmental activities	<u><u>\$ 2,649,823</u></u>

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

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2010

	Governmental Fund Type
	Education Fund
<u>REVENUES</u>	
Local Sources	\$ 2,064,756
State Sources	1,597,347
Federal Sources	884,684
	4,546,787
Total Direct Revenues	4,546,787
On-behalf Payments	526,692
	5,073,479
Total Revenues	5,073,479
<u>EXPENDITURES</u>	
Instruction	1,599,356
Supporting Services	3,208,875
Community Services	-0-
Nonprogrammed Charges	220,757
	5,028,988
Total Direct Expenditures	5,028,988
On-behalf Payments	526,692
	5,555,680
Total Expenditures	5,555,680
Excess (Deficiency) of Revenues Over Expenditures	(482,201)
Fund Balance, Beginning of Year	2,497,038
	2,014,837
Fund Balance, End of Year	\$ 2,014,837

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

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
Governmental Funds
Year ended June 30, 2010

Net change in fund balances	\$	(482,201)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$ 3,337	
Depreciation expense	<u>(62,854)</u>	(59,517)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>		
		<u>494,940</u>
Change in net assets of governmental activities	\$	<u><u>(46,778)</u></u>

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

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes To The Financial Statements

June 30, 2010

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, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government -Wide and Fund Financial Statements :

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

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

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

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

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

Restricted Net Assets – represents a restriction on resources of a state or local government that is externally imposed by creditors or imposed by law. North Cook Intermediate Service Center No. 1 does not have any restricted net assets.

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, 2010

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.

The Education Fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

All federal, State and local programs are accounted for in the Education Fund. Federal grants that are accounted for and included in the Education Fund in the financial statements are as follows:

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

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

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

State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act: Funds are used to assist States in implementing and maintaining their statewide systems of early intervention services.

State Fiscal Stabilization Fund (SFSF) – Government Services Recovery Act: The objectives of the SFSF – Government Services program are to support public safety and other government services, which may include assistance for elementary and secondary education and public institutions of higher education (IHEs), and for modernization, renovation, or repair of public school facilities and IHE facilities.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes To The Financial Statements

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

State grants that are accounted for and included in the Education Fund are as follows:

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.

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.

Other State Programs: System-Of-Support funding that assists districts having academic difficulty to align their curriculum to Illinois Standards.

Gifted Education: Funding received from the State of Illinois to provide Gifted Education Seminars to teachers and administrators. In addition, funds can also be used to provide additional professional development relating to the differentiation of instruction training.

Government -wide and fund financial statements:

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The Statement of Net Assets presents information on all of North Cook Intermediate Service Center No. 1's assets and liabilities, with the difference between the two reported as net assets. Net assets of the Center are classified as Unrestricted Net Assets. Unrestricted Net Assets represent resources used for transactions relating to the general operations of the Center and may be used at the discretion of management to meet expenses for any purpose.

Separate financial statements are provided for governmental funds. Major individual governmental fund (Education Fund) is reported as a separate column in the fund financial statements.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes To The Financial Statements

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is followed by the Governmental fund, which is in conformity with the Illinois Program Accounting Manual for Local Education Agencies and accounting principles generally accepted in the United States of America. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is, when they become both "Measurable" and "Available" to finance expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

E. Assets, Liabilities and Equity:

Deposits and Investments

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

Capital Assets

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

F. New Accounting Pronouncements:

Effective for the year ending June 30, 2010, the Center adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes To The Financial Statements

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

F. New Accounting Pronouncements (concluded):

Effective for the year ending June 30, 2010, the Center adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement provides guidance on determining the useful life of intangible assets when the length of their life is limited by contractual or legal provisions. If there are no factors that limit the useful life of an intangible asset, the Statement provides that the intangible asset be considered to have an indefinite useful life. Intangible assets with indefinite useful lives should not be amortized unless their useful life is subsequently determined to no longer be indefinite due to a change in circumstances. 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, 2010, the Center adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. 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, 2010, the Center adopted GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. There was no significant impact on the Center's financial statements as a result of adopting this statement.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data:

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

Federal grants administered that have budgets are as follows: Title I-School Improvement and Accountability, Title I- Reading First Part B SEA Funds, K-12 Learn and Serve, Title II-Teacher Quality-Leadership Grant, State Fiscal Stabilization Fund – Education State Grant Recovery and the State Fiscal Stabilization Fund – Government Services Recovery .

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

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes To The Financial Statements

June 30, 2010

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (concluded)

A. Budgetary Data (concluded):

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

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

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments :

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

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

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.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes To The Financial Statements

June 30, 2010

3. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (concluded):

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, 2010, North Cook Intermediate Service Center No. 1 had a total of \$1,910,905 in cash and investments. This consists of \$1,905,732 held on deposit with District 207, a \$4,973 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>\$4,973</u>	<u>\$3,681</u>

The deposits shown above were fully covered by depository insurance.

Credit Risk

District 207's investment policies are established by an Advisory Board made up of representatives of the member districts as prescribed by the Illinois School Code and the Illinois Compiled Statutes. District 207 is authorized to invest in obligations of the U.S. Treasury, backed by the full faith and credit of the U.S. Government, certificates of deposit issued by commercial banks and savings and loan associations, and commercial paper rated within the three highest classifications by at least two standard rating services (subject to certain limitations). As of June 30, 2010, the District's investment in the external pool was rated within the three highest classifications by at least two standard rating services.

Interest Rate Risk

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

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Notes To The Financial Statements
June 30, 2010

3. DETAILED NOTES ON ALL FUNDS (continued)

B. Capital Assets:

The governmental activities capital asset activity for the year ended June 30, 2010 is as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2010</u>
Cost:				
Equipment	<u>\$774,150</u>	<u>\$3,337</u>	<u>\$37,515</u>	<u>\$739,972</u>
Accumulated Depreciation:				
Equipment	<u>\$574,587</u>	<u>\$62,854</u>	<u>\$37,515</u>	<u>\$599,926</u>
Total Capital Assets, Net				
Equipment	<u>\$199,563</u>	<u>\$(59,517)</u>	<u>\$-0-</u>	<u>\$140,046</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$50,283
Depreciation not charged to a specific function	<u>12,571</u>
Total depreciation for governmental activities	<u>\$62,854</u>

C. Lease Commitments :

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

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

The lease required the following rental terms:

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

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes to The Financial Statements

June 30, 2010

3. DETAILED NOTES ON ALL FUNDS (continued)

C. Lease Commitments (continued):

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

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

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

The lease required the following rental terms:

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

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

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

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

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes to The Financial Statements

June 30, 2010

3. DETAILED NOTES ON ALL FUNDS (continued)

C. Lease Commitments (concluded):

The revised lease agreement required the following rental terms:

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

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

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

The leases carry no restrictions on the financial operating policies.

Minimum future rental payments under the above non-cancelable leases having remaining terms in excess of 1 year as of June 30, 2010 for each of the next five years and in the aggregate are:

<u>Year Ended June 30</u>	
2011	\$ 582,680
2012	440,962
2013	441,294
2014	456,398
2015	106,646
Thereafter	8,509
	<u>\$2,036,489</u>

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

<u>Year Ended June 30</u>	
2011	\$13,510
2012	<u>3,300</u>
	<u>\$16,810</u>

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Notes to The Financial Statements
June 30, 2010

3. DETAILED NOTES ON ALL FUNDS (concluded)

D. Accounts Receivable:

Accounts receivable at June 30, 2010 consisted of the following amounts due from Federal, State and Local programs:

Governmental Claims:

Regional Safe Schools	\$653,557
Title II- Teacher Quality - Leadership Grant	16,642
ROE/ISC Operations	<u>88,883</u>

Accounts Receivable - Governmental Claims	\$759,082
Local Programs	<u>111,614</u>
Accounts Receivable at June 30, 2010	<u>\$870,696</u>

E. Deferred Revenue

Deferred revenue is recognized in programs where program monies have been received but not yet spent. The following programs recognized deferred revenues at June 30, 2010:

Title I- School Improvement & Accountability	\$ 8,985
Title I- Reading First Part B SEA Funds	62,631
Regional Safe Schools	435,685
ROE/ISC Operations	59,255
Gifted Grant	<u>176,592</u>
Deferred Revenue at June 30, 2010	<u>\$ 743,148</u>

4. OTHER INFORMATION

A. Risk Management:

North Cook Intermediate Service Center No. 1 is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance through the Suburban School Cooperative Insurance Pool (SSCIP).

B. Employee Retirement Systems & Plans:

Teachers' Retirement System

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

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

TRS Members include all active nonannuitants that are employed by a TRS-covered employer to provide services for which teacher certification is required. The active TRS members' contribution rate for the year June 30, 2010 was 9.4 percent of their creditable earnings.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Notes to The Financial Statements
June 30, 2010

4. OTHER INFORMATION (continued)

B. Employee Retirement Systems & Plans (continued) :

Teachers' Retirement System (continued)

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, 2009 and 2008.

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, 2010, State of Illinois contributions were based on 23.38 percent of creditable earnings not paid from federal funds, and the Center recognized revenue and expenditures of \$508,425 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2009, and June 30, 2008, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 17.08 percent (\$355,559) and 13.11 percent (\$268,379), 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, 2010 were \$12,613. Contributions for the years ending June 30, 2009 and June 30, 2008 were \$12,074 and \$11,873, 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, 2010, the employer pension contribution was 23.38 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2009 and 2008, the employer contributions were 17.08 and 13.11 percent of salaries paid from federal and special trust funds, respectively.

For the year ended June 30, 2010, salaries totaling \$204,413 were paid from federal and special trust funds that required employer contributions of \$47,792. For the years ended June 30, 2009, and June 30, 2008, required Center contributions were \$33,423 and \$25,228, 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.

Public Act 94-0004 made changes in the ERO program that were in effect for all ERO retirements in fiscal years 2008 through 2010. The act increased member and employer contributions and eliminated the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Notes to The Financial Statements
June 30, 2010

4. OTHER INFORMATION (continued)

B. Employee Retirement Systems & Plans (continued):

Teachers' Retirement System (concluded)

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

For the year ended June 30, 2010, the Center paid \$-0- to TRS for employer contributions under the ERO program. For the years ended June 30, 2009 and June 30, 2008, the Center paid \$-0- in employer ERO contributions respectively.

- *Salary increases over 6 percent and excess sick leave.* Public Act 94-0004 added two additional employer contributions to TRS.

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, 2010, the Center paid \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2009 and June 30, 2008, the Center paid \$-0- in employer contributions due on salary increases in excess of 6 percent.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (18.55 percent of salary during the year ended June 30, 2010).

For the year ended June 30, 2010, the Center paid \$-0- to TRS for sick leave days granted in the excess of the normal annual allotment. For the years ended June 30, 2009 and June 30, 2008, 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, 2009. The report for the year ended June 30, 2010, is expected to be available in late 2010. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253. The most current report is also available on the TRS Web site at trs.illinois.gov.

Illinois Municipal Retirement Fund

Plan Description

The employer's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The employer plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois.

IMRF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained on-line at www.imrf.org.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Notes to The Financial Statements
June 30, 2010

4. OTHER INFORMATION (continued)

B. Employee Retirement Systems & Plans (continued):

Illinois Municipal Retirement Fund (continued)

Funding Policy

As set by statute, the employer Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2009 was 8.09 percent of annual covered payroll. 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 December 31, 2009 the employer's annual pension cost of \$26,006 for the Regular plan was equal to the employer's required and actual contributions.

Three-Year Trend Information for the Regular Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/09	\$ 26,006	100%	\$ -0-
12/31/08	21,948	100%	-0-
12/31/07	8,658	100%	-0-

The required contribution for 2009 was determined as part of the December 31, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefits increases of 3% annually. The actuarial value of the employer 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 15% corridor between the actuarial and market value of assets. The employer Regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007, valuation was 5 years.

Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the Regular plan was 91.33 percent funded. The actuarial accrued liability for benefits was \$430,067 and the actuarial value of assets was \$392,791, resulting in an underfunded actuarial accrued liability (UAAL) of \$37,276. The covered payroll (annual payroll of active employees covered by the plan) was \$321,454 and the ratio of the UAAL to the covered payroll was 12 percent. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect 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.

In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 10 year basis.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Notes to The Financial Statements
 June 30, 2010

4. OTHER INFORMATION (continued)

B. Employee Retirement Systems & Plans (concluded):

Illinois Municipal Retirement Fund (concluded)

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

C. Postemployment Benefits other than Pensions:

1) Illinois Municipal Retirement Fund

Plan Description

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.

Benefits Provided

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

Membership

At July 1, 2009 membership consisted of:

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

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.

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

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Notes to The Financial Statements
June 30, 2010

4. OTHER INFORMATION (continued)

C. Postemployment Benefits other than Pensions (continued)

1) Illinois Municipal Retirement Fund (continued)

Annual OPEB Costs and Net OPEB Obligation

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

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

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

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

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

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

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.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Notes to The Financial Statements
June 30, 2010

4. OTHER INFORMATION (continued)

C. Postemployment Benefits other than Pensions (continued)

1) Illinois Municipal Retirement Fund (concluded)

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

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

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

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

2) Teacher Health Insurance Security Fund

North Cook Intermediate Service Center No. 1 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multi-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants may participate in the state administered participating provider option plan or choose from several managed care options.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The Illinois Department of Healthcare and Family Services (HFS) and the Illinois Department of Central Management Services (CMS) administer the plan with the cooperation of TRS. The director of HFS determines the rates and premiums for annuitants and dependent beneficiaries and establishes the cost-sharing parameters. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to the TRS who are not employees of the state make contributions to THIS.

The percentage of employer required contributions in the future will be determined by the director of Health Care and Family Services and will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Notes to The Financial Statements

June 30, 2010

4. OTHER INFORMATION (concluded)

C. Postemployment Benefits other than Pensions (concluded)

2) Teacher Health Insurance Security Fund (concluded)

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 0.84 percent of pay during the year ended June 30, 2010. State of Illinois contributions were \$18,267, and North Cook Intermediate Service Center No. 1 recognized revenue and expenditures of this amount during the year.

Had the Intermediate Service Center #1 recognized revenue and expenditures for State contributions intended to match active member contributions during the years ended June 30, 2009 and June 30, 2008, under the current standards, the contribution match would have been .84 percent of pay or \$17,487 and \$17,196 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 0.63 percent during the years ended June 30, 2010, June 30, 2009, and June 30, 2008. For the year ended June 30, 2010, North Cook Intermediate Service Center No. 1 paid \$13,700 to the THIS Fund. For the years ended June 30, 2009 and June 30, 2008, the Center paid \$13,115 and \$12,897 to the THIS Fund, respectively, which was 100 percent of the required contribution.

Further information on THIS Fund

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

5. ON-BEHALF CONTRIBUTIONS

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

TRS Pension Contribution	\$ 508,425
Teachers' Health Insurance Security	<u>18,267</u>
	<u>\$ 526,692</u>

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

6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 24, 2011, the date on which the financial statements were available to be issued. For fiscal year ended June 30, 2011, North Cook Intermediate Service Center No. 1 will take over some ROE functions. These duties include teacher certification and bus driver training functions.

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, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/09	\$392,791	\$430,067	\$37,276	91.33%	\$321,454	11.60%
12/31/08	\$384,133	\$357,684	(\$26,449)	107.39%	\$275,383	0.00%
12/31/07	\$427,305	\$423,189	(\$4,116)	100.97%	\$254,662	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2009 is \$375,188. On a market basis, the funded ratio would be 87.24%.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Post Employment Benefits other than Pensions - Schedule of Funding Progress
(Unaudited)
 June 30, 2010

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

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Budgetary Comparison Schedule
Education Fund
Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Local Sources			
Investment Income	\$ 30,000	\$ 31,017	\$ 1,017
Services Provided Other LEA's	1,697,000	1,731,090	34,090
Local Fees	195,300	238,640	43,340
Contributions	-0-	-0-	-0-
Miscellaneous	74,750	64,009	(10,741)
	<u>1,997,050</u>	<u>2,064,756</u>	<u>67,706</u>
Total Local Sources			
State Sources			
Regional Safe Schools - General State Aid	634,000	663,005	29,005
Bus Driver Training	38,100	7,560	(30,540)
Regional Safe Schools	1,089,360	653,616	(435,744)
Other State Programs	479,316	-0-	(479,316)
Gifted Education	-0-	127,373	127,373
I.S.C. Operations	-0-	145,793	145,793
	<u>2,240,776</u>	<u>1,597,347</u>	<u>(643,429)</u>
Total State Sources			

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Budgetary Comparison Schedules

Education Fund (Continued)

Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Federal Sources			
K-12 Learn and Serve	12,000	-0-	(12,000)
Title I - School Improvement & Accountability	550,881	631,207	80,326
Title I - Reading First Part B SEA Funds	-0-	13,177	13,177
State Fiscal Stabilization Fund - Education State Grant Recovery	92,000	110,500	18,500
State Fiscal Stabilization Fund - Government Services Recovery	36,833	36,834	1
Title II - Teacher Quality - Leadership Grant	82,596	92,966	10,370
	774,310	884,684	110,374
Total Federal Sources			
Total Direct Revenues	5,012,136	4,546,787	(465,349)
On-Behalf Payments	-0-	526,692	526,692
Total Revenues	5,012,136	5,073,479	61,343
<u>EXPENDITURES</u>			
Instruction			
High School Programs			
Salaries	1,225,611	1,261,291	(35,680)
Employee Benefits	228,225	241,316	(13,091)
Purchased Services	42,438	51,192	(8,754)
Supplies and Materials	53,734	44,891	8,843
Capital Outlay	14,500	666	13,834
Total Instruction	1,564,508	1,599,356	(34,848)
Support Services			
Pupils			
Attendance and Social Work Services			
Salaries	398,074	391,219	6,855
Employee Benefits	69,601	66,010	3,591
Guidance Services			
Salaries	125,975	125,974	1
Employee Benefits	32,179	35,451	(3,272)
Purchased Services	13,250	5,497	7,753
Supplies and Materials	8,000	3,844	4,156
Total Pupils	647,079	627,995	19,084

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Budgetary Comparison Schedule
Education Fund (Continued)
Year Ended June 30, 2010

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Instructional Staff			
Improvement of Instruction Services			
Salaries	83,121	86,114	(2,993)
Employee Benefits	12,011	8,075	3,936
Purchased Services	553,074	591,601	(38,527)
Supplies and Materials	161,854	66,887	94,967
Capital Outlay	-0-	-0-	-0-
Other Objects	-0-	-0-	-0-
Total Instructional Staff	<u>810,060</u>	<u>752,677</u>	<u>57,383</u>
General Administration			
Executive Administrative Services			
Salaries	105,300	88,253	17,047
Employee Benefits	38,770	30,530	8,240
Purchased Services	116,700	90,840	25,860
Supplies and Materials	10,000	9,464	536
Capital Outlay	2,000	2,687	(687)
Other Objects	7,000	9,434	(2,434)
Special Area Administrative Services			
Salaries	234,746	234,747	(1)
Employee Benefits	67,091	52,512	14,579
Purchased Services	140,000	142,647	(2,647)
Supplies and Materials	24,000	14,313	9,687
Capital Outlay	-0-	-0-	-0-
Total General Administration	<u>745,607</u>	<u>675,427</u>	<u>70,180</u>
School Administration			
Other Support Services			
Salaries	284,734	247,714	37,020
Employee Benefits	39,751	32,187	7,564
Total School Administration	<u>324,485</u>	<u>279,901</u>	<u>44,584</u>
Business			
Fiscal Services			
Salaries	50,000	50,000	-0-
Employee Benefits	16,275	9,755	6,520
Purchased Services	43,031	42,318	713
Facilities Acquisition			
Purchased Services	-0-	1,084	(1,084)
Operations and Maintenance of Plant			
Purchased Services	597,314	577,008	20,306
Supplies and Materials	63,000	28,730	34,270
Pupil Transportation Services			
Salaries	21,500	16,161	5,339
Employee Benefits	3,000	1,945	1,055
Purchased Services	56,000	44,187	11,813
Supplies and Materials	2,000	481	1,519
Capital Outlay	1,500	30	1,470
Food Services			
Purchased Services	92,000	77,622	14,378
Total Business	<u>945,620</u>	<u>849,321</u>	<u>96,299</u>
Central			
Planning, Research and Development			
Purchased Services	-0-	19,710	(19,710)
Data Processing			
Purchased Services	-0-	-0-	-0-
Total Central	<u>-0-</u>	<u>19,710</u>	<u>(19,710)</u>

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
Budgetary Comparison Schedule
Education Fund (Continued)
Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
<u>EXPENDITURES</u>			
Other Support Services			
Salaries	-0-	-0-	-0-
Employee Benefits	-0-	-0-	-0-
Purchased Services	-0-	1,173	(1,173)
Other Expenses	500	2,671	(2,171)
	500	3,844	(3,344)
Total Other Support Services			
	500	3,844	(3,344)
Total Support Services	3,473,351	3,208,875	264,476
Community Services			
Purchased Services	-0-	-0-	-0-
Supplies and Materials	-0-	-0-	-0-
	-0-	-0-	-0-
Total Community Services			
	-0-	-0-	-0-
Nonprogrammed Charges			
Other Payments to In-State Government Units			
Purchased Services	307,743	139,180	168,563
Transfers	-0-	(361)	361
Other Expenses	-0-	81,938	(81,938)
	307,743	220,757	86,986
Total Nonprogrammed Charges			
	307,743	220,757	86,986
Total Direct Expenditures	5,345,602	5,028,988	316,614
On-behalf Payments	-0-	526,692	(526,692)
Total Expenditures	5,345,602	5,555,680	(210,078)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (333,466)	\$ (482,201)	\$ (148,735)
Fund Balance, Beginning of Year		2,497,038	
Fund Balance, End of Year		\$ 2,014,837	

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

Federal Grantor/ Program or Cluster Title	CFDA Number (A)	Project # or Contract # (B)	Expenditures	
			7/01/08 - 6/30/09 (C)	7/01/09 - 06/30/10 (D)
U.S. Dept. of Education passed through Illinois State Board of Education (ISBE):				
Title I - School Improvement & Accountability (M)	84.010A	09-4331-SS	\$ 376,402	\$ 161,308
Title I - School Improvement & Accountability (M)	84.010A	10-4331-SS	-0-	469,899
			376,402	631,207
Title I - Reading First Part B SEA Funds	84.357A	09-4337-00	-	-
Title I - Reading First Part B SEA Funds	84.357A	10-4337-00	-0-	13,177
			-0-	13,177
State Fiscal Stabilization Fund- Cluster				
State Fiscal Stabilization Fund- Education State Grants Recovery	84.394	09-4850-93	174,666	-0-
State Fiscal Stabilization Fund- Education State Grants Recovery	84.394	10-4850-93	-0-	110,500
State Fiscal Stabilization Fund- Government Services Recovery	84.397	09-4870-93	-0-	-0-
State Fiscal Stabilization Fund- Government Services Recovery	84.397	10-4870-93	-0-	36,833
Total State Fiscal Stabilization Fund Cluster			174,666	147,333
Title II - Teacher Quality - Leadership Grant	84.367A	09-4935-SS	67,866	14,530
Title II - Teacher Quality - Leadership Grant	84.367A	10-4935-SS	-0-	78,436
			67,866	92,966
Corporation for National and Community Services passed through Illinois State Board of Education (ISBE):				
K-12 Learn & Serve	94.004	09-4910-00	12,000	-0-
K-12 Learn & Serve	94.004	10-4910-00	-0-	-0-
			12,000	-0-
Total Expenditures of Federal Awards			\$ 630,934	\$ 884,683

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

The accompanying notes are an integral part of this schedule.

NORTH COOK INTERMEDIATE SERVICE CENTER NO. 1
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

NOTE 2 – SUBRECIPIENTS

-NONE-

NOTE 3 – DESCRIPTION OF MAJOR FEDERAL PROGRAM

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

Title I – School Improvement & Accountability:

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

The goals of the program are to:

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

NOTE 4 – NON-CASH ASSISTANCE

-NONE-

NOTE 5 – AMOUNT OF INSURANCE

-NONE-

NOTE 6 – LOANS OR LOAN GUARANTEES OUTSTANDING

-NONE-