

**STATE OF ILLINOIS  
NORTH COOK  
INTERMEDIATE SERVICE CENTER #1  
FINANCIAL AUDIT  
For the Year Ended June 30, 2016**

**Performed as Special Assistant Auditors  
For the Auditor General, State of Illinois**

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**

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**NORTH COOK INTERMEDIATE SERVICE CENTER #1**

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**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
OFFICIALS**

Executive Director  
(Current and during the Audit Period)

Dr. Bruce Brown

Administrative Assistant  
(Current and during the Audit Period)

Ms. Cindy Cirillo

Business Manager  
(Current and during the Audit Period)

Ms. Terrie Simmons

Offices are located at:

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

**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
FINANCIAL REPORT SUMMARY**

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

**AUDITORS' REPORTS**

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

**SUMMARY OF AUDIT FINDINGS**

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	1	3
Repeated audit findings	1	2
Prior recommendations implemented or not repeated	2	0

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

**SUMMARY OF FINDINGS AND RESPONSES**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<i>Findings (Government Auditing Standards)</i>			
2016-001	11a-11b	Controls Over Financial Statement Preparation	Material Weakness
<i>Prior Audit Findings Not Repeated (Government Auditing Standards)</i>			
2015-001	13	Controls Over Financial Statement Preparation	Material Weakness
2015-002	13	Inadequate Internal Control Procedures	Material Weakness
2015-003	13	Internal Controls Over Grant Reporting	Material Weakness and Noncompliance

**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
FINANCIAL REPORT SUMMARY – (CONCLUDED)**

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Center personnel in an informal exit conference on October 28, 2016. Attending were Terrie Simmons, Business Manager and Kimberly Walker, CPA, Partner, Kemper CPA Group, LLP. Responses to the recommendations were provided by Terrie Simmons, Business Manager.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying basic financial statements of the North Cook Intermediate Service Center #1 (the Center) was performed by Kemper CPA Group LLP, Certified Public Accountants and Consultants.

Based on their audit, the auditors expressed an unmodified opinion on the North Cook Intermediate Service Center #1's basic financial statements.

## **INDEPENDENT AUDITORS' REPORT**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

Board of Directors  
North Cook Intermediate Service Center #1

### **Report on the Financial Statements**

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Cook Intermediate Service Center #1, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the North Cook Intermediate Service Center #1's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Cook Intermediate Service Center #1, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Illinois Municipal Retirement Fund Schedule of Changes in the Net Pension Liability & Related Ratios, Illinois Municipal Retirement Fund Schedule of Employer Contributions, Teachers' Retirement System of the State of Illinois Schedule of the Employer's Proportionate Share of the Net Pension Liability, Teachers' Retirement System of the State of Illinois Schedule of Employer Contributions, and Post-Employment Benefits Other Than Pensions Schedule of Funding Progress on pages 14a through 14e and 53 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Cook Intermediate Service Center #1's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules, and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 09, 2017 on our consideration of the North Cook Intermediate Service Center #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Cook Intermediate Service Center #1's internal control over financial reporting and compliance.

**SIGNED ORIGINAL ON FILE**

KEMPER CPA GROUP LLP  
*Certified Public Accountants and Consultants*

Marion, Illinois  
May 09, 2017

**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 Frank J. Mautino  
Auditor General  
State of Illinois

Board of Directors  
North Cook Intermediate Service Center #1

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Cook Intermediate Service Center #1, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the North Cook Intermediate Service Center #1's basic financial statements, and have issued our report thereon dated May 09, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered North Cook Intermediate Service Center #1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Cook Intermediate Service Center #1's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Cook Intermediate Service Center #1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2016-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

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

### North Cook Intermediate Service Center #1's Response to Finding

North Cook Intermediate Service Center #1's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. North Cook Intermediate Service Center #1's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Cook Intermediate Service Center #1's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Cook Intermediate Service Center #1's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**SIGNED ORIGINAL ON FILE**

KEMPER CPA GROUP LLP

*Certified Public Accountants and Consultants*

Marion, Illinois

May 09, 2017

## **SCHEDULE OF FINDINGS AND RESPONSES**

**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION I – SUMMARY OF AUDITORS' RESULTS  
For the Year Ended June 30, 2016**

**Financial Statements in Accordance with GAAP**

Type of auditors' report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the Year Ended June 30, 2016**

**FINDING NO. 2016-001 – Controls Over Financial Statement Preparation (Repeated from Findings 15-001 and 14-001)**

**Criteria/specific requirement:**

North Cook Intermediate Service Center #1 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). North Cook Intermediate Service Center #1's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the Statement requires information about the government's major and nonmajor funds in the aggregate, to be provided in the fund financial statements.

**Condition:**

North Cook Intermediate Service Center #1 does not have sufficient internal controls over the financial reporting process. North Cook Intermediate Service Center #1 maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the Center maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

During review of the North Cook Intermediate Service Center #1's financial information prepared by the Center, the following were noted:

- Several adjustments were necessary to properly reverse prior year accounts receivable and accounts payable.
- Several adjustments were necessary to adjust individual fund cash balances and fund balances to actual.

**Effect:**

North Cook Intermediate Service Center #1 management or its employees, in the normal course of performing their assigned functions, may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

**Cause:**

North Cook Intermediate Service Center #1 did not effectively detect all of the adjustments needed in order to present financial statements in accordance with GAAP. This is due in part to the new Business Manager being in her position for only a year and a half. Although significant strides were made during the current fiscal year, additional time is necessary to successfully detect all adjustments necessary to present the Center's financial statements in accordance with GAAP.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the Year Ended June 30, 2016**

**FINDING NO. 2016-001 – Controls Over Financial Statement Preparation (Repeated from Findings 15-001 and 14-001) (Concluded)**

**Recommendation:**

As part of internal control over the preparation of financial statements, North Cook Intermediate Service Center #1 should implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of North Cook Intermediate Service Center #1's activities and operations.

**Management's Response:**

With the retirement of the North Cook Intermediate Service Center's Business Manager during FY2015, a replacement was hired who is an accountant and possesses many years of experience in school finance. The new Business Manager will strive to do her best to prepare the financial statements in accordance with GAAP. In addition, the Business Manager and District 62 personnel are working to secure new financial software that will help achieve GAAP reporting and improved internal control procedures.



**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2016**

**CORRECTIVE ACTION PLAN**

**FINDING NO. 2016-001 – Controls Over Financial Statement Preparation (Repeated from Findings 15-001 and 14-001)**

**Condition:**

North Cook Intermediate Service Center #1 does not have sufficient internal controls over the financial reporting process. North Cook Intermediate Service Center #1 maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the Center maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

During review of the North Cook Intermediate Service Center #1's financial information prepared by the Center, the following were noted:

- Several adjustments were necessary to properly reverse prior year accounts receivable and accounts payable.
- Several adjustments were necessary to adjust individual fund cash balances and fund balances to actual.

**Plan:**

With the retirement of the North Cook Intermediate Service Center's Business Manager during FY2015, a replacement was hired who is an accountant and possesses many years of experience in school finance. The new Business Manager will strive to do her best to prepare the financial statements in accordance with GAAP. In addition, the Business Manager and District 62 personnel are working to secure new financial software that will help achieve GAAP reporting and improved internal control procedures.

**Anticipated Date of Completion:**

Prior to the FY 2017 audit.

**Name of Contact Person:**

Dr. Bruce Brown, Executive Director

**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2016**

<b><u>Finding Number</u></b>	<b><u>Condition</u></b>	<b><u>Current Status</u></b>
2015-001	Controls Over Financial Statement Preparation	Repeated
2015-002	Inadequate Internal Control Procedures	Not Repeated
2015-003	Internal Controls Over Grant Reporting	Not Repeated

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**Required Supplementary Information**  
**Management's Discussion and Analysis**  
For the year ended June 30, 2016

As management of North Cook Intermediate Service Center #1, we offer the readers of the financial statements this narrative overview and analysis of the financial activities of North Cook Intermediate Services Center #1 for the year ended June 30, 2016.

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, 2016) and the prior year (ended June 30, 2015) 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 #1's financial position at June 30, 2016 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 Annual 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 #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 #1's overall financial status, similar to a private business sector. In the government-wide financial statements, activities are shown in two categories – governmental and business-type activities. North Cook Intermediate Service Center #1's basic service is education. These activities are largely financed with local, State and Federal revenues.

The Statement of Net Position presents information on all of North Cook Intermediate Service Center #1's assets plus deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of North Cook Intermediate Service Center #1 is improving or deteriorating. The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year.

The government-wide financial statements present a summary of governmental and business-type activities, accompanied by a total, and are presented on an 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 eligibility requirements imposed by the grantor have been met. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and reported in a single column.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
For the year ended June 30, 2016

Fund Financial Statements

The governmental fund financial statements have been prepared in accordance with the Illinois Program Accounting Manual for Local Education Agencies and generally accepted accounting principles on the modified accrual basis. 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.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets plus deferred outflows of resources and liabilities and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The governmental and proprietary fund financial statements provide more detailed information about North Cook Intermediate Service Center #1's funds – not the Center as a whole. Funds are specific segregations of cash and accounting devices the Center 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 #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 #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 #1 maintains various governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance for these funds. More detail of the individual revenues and expenditures for these funds is presented in the supplementary section of this report.

North Cook Intermediate Service Center #1 prepares budgets for each of the governmental funds. North Cook Intermediate Service Center #1 has not legally adopted the budgets and is not required to do so. Illinois State Board of Education, a granting agency, approves the North Cook Intermediate Service Center #1 budgets for certain program revenues. A budgetary comparison statement has been provided as supplementary information for the Education Fund, which is in compliance with GASB Statement No. 34.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
For the year ended June 30, 2016

Condensed Financial Information

CONDENSED STATEMENT OF NET POSITION  
For Fiscal Years Ending June 30,

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current Assets	2,644,472	\$ 2,541,758	\$ 244,779	\$ 201,666	\$ 2,889,251	\$ 2,743,424
Noncurrent Assets	18,108	91,697	833	896	18,941	92,593
Total Assets	<u>2,662,580</u>	<u>2,633,455</u>	<u>245,612</u>	<u>202,562</u>	<u>2,908,192</u>	<u>2,836,017</u>
Deferred Outflows of Resources	<u>272,193</u>	<u>86,276</u>	<u>-</u>	<u>-</u>	<u>272,193</u>	<u>86,276</u>
Current Liabilities	139,159	74,040	1,914	6,589	141,073	80,629
Noncurrent Liabilities	360,698	169,056	-	-	360,698	169,056
Total Liabilities	<u>499,857</u>	<u>243,096</u>	<u>1,914</u>	<u>6,589</u>	<u>501,771</u>	<u>249,685</u>
Deferred Inflows of Resources	<u>37,970</u>	<u>38,887</u>	<u>-</u>	<u>-</u>	<u>37,970</u>	<u>38,887</u>
Net Position:						
Net investment in capital assets	18,108	35,650	833	896	18,941	36,546
Restricted - other	1,102,847	855,898	-	-	1,102,847	855,898
Unrestricted	1,275,991	1,546,200	242,865	195,077	1,518,856	1,741,277
TOTAL NET POSITION	<u>\$ 2,396,946</u>	<u>\$ 2,437,748</u>	<u>\$ 243,698</u>	<u>\$ 195,973</u>	<u>\$ 2,640,644</u>	<u>\$ 2,633,721</u>

Current assets consist of cash and investments, accrued interest receivable, and amounts due from other governments. As of June 30, 2016, the Center had no outstanding long-term debt. Net position consists of unrestricted and restricted net position and net investment in capital assets.

CHANGES IN NET POSITION  
For Fiscal Years Ending June 30,

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 504,948	\$ 560,751	\$ 158,447	\$ 200,501	\$ 663,395	\$ 761,252
Operating grants	1,161,350	1,046,419	-	-	1,161,350	1,046,419
General revenues:						
Local sources	1,179,339	1,269,807	-	-	1,179,339	1,269,807
State sources	405,039	466,777	-	-	405,039	466,777
On-behalf payments - State	1,211,659	558,232	-	-	1,211,659	558,232
Interest	17,538	13,535	1,338	1,154	18,876	14,689
Total Revenues	<u>4,479,873</u>	<u>3,915,521</u>	<u>159,785</u>	<u>201,655</u>	<u>4,639,658</u>	<u>4,117,176</u>
Expenses:						
Program expenses:						
Instructional services:						
Salaries	1,804,814	1,781,350	31,034	25,705	1,835,848	1,807,055
Employee benefits	357,279	291,926	404	373	357,683	292,299
Pension expense (income)	96,602	51,354	-	-	96,602	51,354
Purchased services	988,811	1,039,501	73,204	86,393	1,062,015	1,125,894
Supplies and materials	38,274	48,323	7,355	9,236	45,629	57,559
Other	5,694	5,589	-	-	5,694	5,589
Depreciation	10,185	15,461	63	63	10,248	15,524
Loss on disposal of capital assets	7,357	2,146	-	-	7,357	2,146
Administrative						
On-behalf payments - State	1,211,659	558,232	-	-	1,211,659	558,232
Total Expenses	<u>4,520,675</u>	<u>3,793,882</u>	<u>112,060</u>	<u>121,770</u>	<u>4,632,735</u>	<u>3,915,652</u>
Changes in Net Position	(40,802)	121,639	47,725	79,885	6,923	201,524
Net Position, beginning, restated	<u>2,437,748</u>	<u>2,316,109</u>	<u>195,973</u>	<u>116,088</u>	<u>2,633,721</u>	<u>2,432,197</u>
Net Position, end of year	<u>\$ 2,396,946</u>	<u>\$ 2,437,748</u>	<u>\$ 243,698</u>	<u>\$ 195,973</u>	<u>\$ 2,640,644</u>	<u>\$ 2,633,721</u>

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
For the year ended June 30, 2016

Condensed Financial Information (Concluded)

Major sources of operating revenues for North Cook Intermediate Service Center #1 include: Federal and State grants and local tuition and fees.

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

As shown in the table on page 14c, total revenues for governmental activities, excluding on-behalf payments, for this year were \$3,268,214. Local sources, consisting of primarily tuition, contributed \$1,179,339, or 36% of this amount. Federal and State grants financed another 48%, or \$1,566,389. Charges for services (\$504,948) and interest (\$17,538) financed the remaining 15% and 1%, respectively. Also shown in the table on page 14c, total revenues for business-type activities were \$159,785, consisting primarily of charges for services. After subtracting related expenses of \$112,060, business-type activities contributed \$47,725 to net position. The 21% (\$41,870) decrease in these business-type revenues and 8% (\$9,710) decrease in related expenses was largely due to the reduction in the number of the workshops and mentoring sessions the North Cook Intermediate Service Center #1 conducted during FY 2016 as compared to FY 2015.

General Fund revenues, excluding on-behalf payments, decreased by \$136,984 (8%) from \$1,733,585 in FY 2015 to \$1,596,601 in FY 2016, due primarily to a \$75,000 decrease from tuition and \$62,000 from State sources. General Fund expenditures, excluding on-behalf payments, decreased by \$106,695 (5%) from \$1,950,223 in FY 2015 to \$1,843,528 in FY 2016, driven primarily by reduced spending for personnel, purchased services and supplies.

Education Fund revenues increased by \$111,933 (11%) from \$1,049,418 in FY 2015 to \$1,161,351 in FY 2016. Both State and Federal grants increased in FY 2016. Expenditures increased by \$126,492 (12%) from \$1,053,333 in FY 2015 to \$1,179,825 directly driven by the increase in Education Fund programs.

Institute Fund revenues decreased by \$60,267 (14%) from \$427,162 in FY 2015 to \$366,895 in FY 2016. Now that we are beyond the influx of educators renewing their licensure to conform with the new licensure changes, the revenue stream from the Institute Fund source has corrected itself. Expenditures increased by only \$6,599 (5%). Bus Driver Fund revenues decreased by \$38,222 (29%) from \$133,589 in FY 2015 to \$95,367 in FY 2016. This decrease was due primarily to receivables that were not received within 60 days of yearend in FY 2016 and were therefore recorded as deferred inflows of resources and not included in fund revenue. Expenditures decreased by only \$3,949 (6%).

Capital assets

During the year ended June 30, 2016 the North Cook Intermediate Service Center #1 retired more than \$100,000 of unnecessary furniture and equipment upon consolidation to one North Cook Young Adult Academy (NCYAA) Safe Schools site.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Concluded)**  
For the year ended June 30, 2016

Net position

During the year, total net position increased \$6,923. Total revenue for fiscal year ended June 30, 2015 was \$4,117,176 and increased by \$522,482 to \$4,639,658 for fiscal year ended June 30, 2016. This increase was mainly due to higher on-behalf payments from the State of Illinois of \$653,427 and all other combined revenue sources decreasing by \$130,945. Total expenses increased by \$717,083 to \$4,632,735 in fiscal year ended June 30, 2016, from \$3,915,652 during the fiscal year ended June 30, 2015. On-behalf State charges increased by \$653,427, while all other expenditure increases were held to \$63,656.

**Factors or Conditions Impacting Future Periods**

Starting in FY 2017, the Center consolidated the NCYAA Safe Schools program into one location to accommodate fewer students. This decision was driven by the reduced demand of our sender districts. Other possible revenue streams and programs are being explored.

**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 #1's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Dr. Bruce Brown, Executive Director, 2340 Des Plaines River Road, Des Plaines, IL 60018-3292.



## **BASIC FINANCIAL STATEMENTS**

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 952,449	\$ 242,487	\$ 1,194,936
Investments	1,202,843	-	1,202,843
Accounts receivable	8,042	-	8,042
Internal balances	500	(500)	-
Due from other governments	474,416	2,792	477,208
Accrued interest receivable	6,222	-	6,222
Total Current Assets	<u>2,644,472</u>	<u>244,779</u>	<u>2,889,251</u>
<b>NONCURRENT ASSETS</b>			
Capital assets, being depreciated, net	18,108	833	18,941
Total Noncurrent Assets	<u>18,108</u>	<u>833</u>	<u>18,941</u>
<b>TOTAL ASSETS</b>	<u>2,662,580</u>	<u>245,612</u>	<u>2,908,192</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	272,193	-	272,193
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	10,737	800	11,537
Accrued employee benefits	58,578	1,114	59,692
Due to other governments	60,604	-	60,604
Unearned revenue	9,240	-	9,240
Total Current Liabilities	<u>139,159</u>	<u>1,914</u>	<u>141,073</u>
<b>NONCURRENT LIABILITIES</b>			
Accrued compensated absences	5,651	-	5,651
Net OPEB liability	9,767	-	9,767
Net pension liability	345,280	-	345,280
Total Noncurrent Liabilities	<u>360,698</u>	<u>-</u>	<u>360,698</u>
<b>TOTAL LIABILITIES</b>	<u>499,857</u>	<u>1,914</u>	<u>501,771</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	37,970	-	37,970
<b>NET POSITION</b>			
Invested in capital assets	18,108	833	18,941
Restricted - other	1,102,847	-	1,102,847
Unrestricted	1,275,991	242,865	1,518,856
<b>TOTAL NET POSITION</b>	<u>\$ 2,396,946</u>	<u>\$ 243,698</u>	<u>\$ 2,640,644</u>

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

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Primary Government		Total
		Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	
<b>FUNCTIONS/PROGRAMS</b>						
<b>PRIMARY GOVERNMENT</b>						
Governmental Activities						
Instructional Services						
Salaries	\$ 1,804,814	\$ 357,682	\$ 621,530	\$ (825,602)	\$ -	\$ (825,602)
Employee benefits	357,279	98,732	5,975	(252,572)	-	(252,572)
Purchased services	988,811	46,528	529,288	(412,995)	-	(412,995)
Supplies and materials	38,274	2,006	4,557	(31,711)	-	(31,711)
Other	5,694	-	-	(5,694)	-	(5,694)
Depreciation	10,185	-	-	(10,185)	-	(10,185)
Loss on disposal of capital assets	7,357	-	-	(7,357)	-	(7,357)
Pension expense	96,602	-	-	(96,602)	-	(96,602)
Administrative						
On-behalf payments - State	1,211,659	-	-	(1,211,659)	-	(1,211,659)
Total Governmental Activities	4,520,675	504,948	1,161,350	(2,854,377)	-	(2,854,377)
Business-type Activities						
Instructional	112,060	158,447	-	-	46,387	46,387
Total Business-type Activities	112,060	158,447	-	-	46,387	46,387
Total Primary Government	\$ 4,632,735	\$ 663,395	\$ 1,161,350	(2,854,377)	46,387	(2,807,990)
General Revenues						
Local sources				1,179,339	-	1,179,339
State sources				405,039	-	405,039
On-behalf payments - State				1,211,659	-	1,211,659
Interest				17,538	1,338	18,876
Total General Revenues				2,813,575	1,338	2,814,913
Change in net position				(40,802)	47,725	6,923
Net Position - beginning				2,437,748	195,973	2,633,721
Net Position - ending				\$ 2,396,946	\$ 243,698	\$ 2,640,644

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

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2016**

	General Fund	Education Fund	Institute Fund	Bus Driver	Eliminations	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 477,394	\$ 25,610	\$ 174,444	\$ 275,001	\$ -	\$ 952,449
Investments	602,330	-	600,513	-	-	1,202,843
Accounts receivable	8,042	-	-	-	-	8,042
Due from other funds	362,434	-	-	-	(362,434)	-
Due from other governments	3,736	413,759	-	56,921	-	474,416
Accrued interest receivable	3,654	-	2,568	-	-	6,222
<b>TOTAL ASSETS</b>	<u>1,457,590</u>	<u>439,369</u>	<u>777,525</u>	<u>331,922</u>	<u>(362,434)</u>	<u>2,643,972</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,457,590</u>	<u>\$ 439,369</u>	<u>\$ 777,525</u>	<u>\$ 331,922</u>	<u>\$ (362,434)</u>	<u>\$ 2,643,972</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 9,096	\$ 841	\$ -	\$ 800	\$ -	\$ 10,737
Accrued employee benefits	46,028	6,750	4,464	1,336	-	58,578
Due to other funds	-	361,934	-	-	(362,434)	(500)
Due to other governments	-	60,604	-	-	-	60,604
Unearned revenue	-	9,240	-	-	-	9,240
<b>Total liabilities</b>	<u>55,124</u>	<u>439,369</u>	<u>4,464</u>	<u>2,136</u>	<u>(362,434)</u>	<u>138,659</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	-	-	-	48,000	-	48,000
<b>FUND BALANCES</b>						
Restricted	-	-	773,061	281,786	-	1,054,847
Unassigned	1,402,466	-	-	-	-	1,402,466
<b>Total Fund Balances</b>	<u>1,402,466</u>	<u>-</u>	<u>773,061</u>	<u>281,786</u>	<u>-</u>	<u>2,457,313</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>	<u>\$ 1,457,590</u>	<u>\$ 439,369</u>	<u>\$ 777,525</u>	<u>\$ 331,922</u>	<u>\$ (362,434)</u>	<u>\$ 2,643,972</u>

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

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**June 30, 2016**

Total fund balances - governmental funds	\$	2,457,313
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Some revenue will not be collected for several months after the Regional Office fiscal year ends; they are considered "unavailable" revenues and are deferred inflows of resources in the governmental funds.

Current year unavailable revenue		48,000
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Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds, net of accumulated depreciation of \$354,503.

		18,108
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Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore are not reported in the governmental funds as follows:

Deferred outflows of resources	\$ 272,193		
Deferred inflows of resources	<u>(37,970)</u>		234,223

Long-term liabilities are not due and payable in the current period and; therefore, are not reported in the governmental funds.

Accrued compensated absences	(5,651)		
Other post-employment benefit obligation	(9,767)		
IMRF net pension liability	(49,905)		
TRS net pension liability	<u>(295,375)</u>		<u>(360,698)</u>

Net position of governmental activities	\$	<u><u>2,396,946</u></u>
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The notes to the financial statements are an integral part of this statement.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

	General Fund	Education Fund	Institute Fund	Bus Driver	Eliminations	Total Governmental Funds
<b>REVENUES</b>						
Local sources	\$ 1,179,339	\$ -	\$ 361,581	\$ 86,446	\$ -	\$ 1,627,366
State sources	405,038	796,572	-	8,921	-	1,210,531
State sources - on-behalf payments	12,054	-	-	-	-	12,054
Federal sources	-	364,779	-	-	-	364,779
Interest	12,224	-	5,314	-	-	17,538
Total revenues	<u>1,608,655</u>	<u>1,161,351</u>	<u>366,895</u>	<u>95,367</u>	<u>-</u>	<u>3,232,268</u>
<b>EXPENDITURES</b>						
Instructional services						
Salaries	1,037,418	631,298	103,802	32,296	-	1,804,814
Employee benefits	307,887	6,069	26,966	10,987	-	351,909
Pension expense	29,192	223	8,673	3,029	-	41,117
Purchased services	430,434	537,606	71	20,700	-	988,811
Supplies and materials	32,903	4,629	674	68	-	38,274
Other	5,694	-	-	-	-	5,694
On-behalf payments	12,054	-	-	-	-	12,054
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>1,855,582</u>	<u>1,179,825</u>	<u>140,186</u>	<u>67,080</u>	<u>-</u>	<u>3,242,673</u>
Excess/(Deficiency) of revenues over (under) expenditures	<u>(246,927)</u>	<u>(18,474)</u>	<u>226,709</u>	<u>28,287</u>	<u>-</u>	<u>(10,405)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	700,023	18,474	-	-	(718,497)	-
Transfers out	<u>(718,497)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>718,497</u>	<u>-</u>
Total other financing sources (uses)	<u>(18,474)</u>	<u>18,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(265,401)	-	226,709	28,287	-	(10,405)
FUND BALANCES, BEGINNING OF YEAR	<u>1,667,867</u>	<u>-</u>	<u>546,352</u>	<u>253,499</u>	<u>-</u>	<u>2,467,718</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,402,466</u>	<u>\$ -</u>	<u>\$ 773,061</u>	<u>\$ 281,786</u>	<u>\$ -</u>	<u>\$ 2,457,313</u>

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

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

Net change in fund balances	\$	(10,405)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Some revenues will not be collected for several months after the Regional Office's fiscal year ends. They are not considered "available" revenues and are deferred inflows of resources in the governmental funds.

FY2016 unavailable revenue - Local sources		48,000
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Governmental funds report capital outlays as expenditures and proceeds from disposals as revenue. However, in the Statement of Activities the cost of those assets, which meet capitalization requirements, is allocated over their estimated useful lives and reported as depreciation expense and gains and losses are reported on disposals.

Loss on disposal of capital assets	\$ (7,357)	
Depreciation expense	<u>(10,185)</u>	(17,542)

Certain expenditures in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.

Compensated absences		4,397
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Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions	41,117	
Cost of benefits earned, net	(96,602)	(55,485)

The increase in OPEB obligations resulting from annual required contributions in excess of the actual contributions do not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.

		<u>(9,767)</u>
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Change in net position of governmental activities	\$	<u><u>(40,802)</u></u>
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The notes to the financial statements are an integral part of this statement.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2016**

	Business-Type Activities Enterprise Funds					Total
	Nonmajor Funds					
	Workshops	Fingerprinting	Non-Public School Inspections	Outside Professional Development Providers	Local Mentoring	
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 181,983	\$ 51,710	-	\$ -	\$ 8,794	\$ 242,487
Due from other governments	-	2,292	500	-	-	2,792
<b>Total current assets</b>	<b>181,983</b>	<b>54,002</b>	<b>500</b>	<b>-</b>	<b>8,794</b>	<b>245,279</b>
<b>Noncurrent Assets</b>						
Capital assets, net of accumulated depreciation	-	833	-	-	-	833
<b>Total noncurrent assets</b>	<b>-</b>	<b>833</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>833</b>
<b>Total assets</b>	<b>181,983</b>	<b>54,835</b>	<b>500</b>	<b>-</b>	<b>8,794</b>	<b>246,112</b>
Deferred Outflows of Resources	-	-	-	-	-	-
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts payable	800	-	-	-	-	800
Accrued employee benefits	1,114	-	-	-	-	1,114
Due to other funds	-	-	500	-	-	500
<b>Total current liabilities</b>	<b>1,914</b>	<b>-</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>2,414</b>
Deferred Inflows of Resources	-	-	-	-	-	-
<b>Net Position</b>						
Net investment in capital assets	-	833	-	-	-	833
Unrestricted	180,069	54,002	-	-	8,794	242,865
<b>Total net position</b>	<b>\$ 180,069</b>	<b>\$ 54,835</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 8,794</b>	<b>\$ 243,698</b>

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



**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2016**

	Business-Type Activities Enterprise Funds					Total
	Nonmajor Funds					
	Workshops	Fingerprinting	Non-Public School Inspections	Outside Professional Development Providers	Local Mentoring	
Operating Revenues						
Charge for services	\$ 89,008	\$ 43,239	\$ 5,000	\$ -	\$ 21,200	\$ 158,447
Operating Expenses						
Salaries	31,034	-	-	-	-	31,034
Employee benefits	404	-	-	-	-	404
Purchased services	24,305	24,752	5,000	-	19,147	73,204
Supplies and materials	7,355	-	-	-	-	7,355
Depreciation	-	63	-	-	-	63
Total operating expenses	<u>63,098</u>	<u>24,815</u>	<u>5,000</u>	<u>-</u>	<u>19,147</u>	<u>112,060</u>
Operating Income (Loss)	<u>25,910</u>	<u>18,424</u>	<u>-</u>	<u>-</u>	<u>2,053</u>	<u>46,387</u>
Nonoperating Revenues (Expenses)						
Transfers in	31,150	-	-	-	-	31,150
Transfers out	-	-	-	(31,150)	-	(31,150)
Interest	1,338	-	-	-	-	1,338
Total Nonoperating Revenues (Expenses)	<u>32,488</u>	<u>-</u>	<u>-</u>	<u>(31,150)</u>	<u>-</u>	<u>1,338</u>
Change in net position	<u>58,398</u>	<u>18,424</u>	<u>-</u>	<u>(31,150)</u>	<u>2,053</u>	<u>47,725</u>
Net Position, Beginning of Year	<u>121,671</u>	<u>36,411</u>	<u>-</u>	<u>31,150</u>	<u>6,741</u>	<u>195,973</u>
Net Position, End of Year	<u>\$ 180,069</u>	<u>\$ 54,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,794</u>	<u>\$ 243,698</u>

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

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2016**

	Business-type Activities Enterprise Funds					Total
	Nonmajor Funds					
	Workshops	Fingerprinting	Non-Public School Inspections	Outside Professional Development Providers	Local Mentoring	
<b>Cash Flows from Operating Activities:</b>						
Receipts from customers	\$ 90,198	\$ 43,950	4,500	\$ 4,620	\$ 21,200	\$ 164,468
Payments to suppliers and providers for goods and services	(35,949)	(24,752)	(5,000)	-	(20,647)	(86,348)
Payments to employees	(30,324)	-	-	-	-	(30,324)
Net cash provided by (used for) operating activities	<u>23,925</u>	<u>19,198</u>	<u>(500)</u>	<u>4,620</u>	<u>553</u>	<u>47,796</u>
<b>Cash Flows from Noncapital Financing Activities:</b>						
Cash transfers from other funds	31,150	-	-	-	-	31,150
Cash transfers to other funds	-	-	-	(31,150)	-	(31,150)
Interfund loans (made) repaid	-	-	500	-	-	500
Net cash provided by (used for) noncapital financing activities	<u>31,150</u>	<u>-</u>	<u>500</u>	<u>(31,150)</u>	<u>-</u>	<u>500</u>
<b>Cash Flows from Investing Activities</b>						
Interest earned on deposits	1,338	-	-	-	-	1,338
Net cash provided by (used for) investing activities	<u>1,338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,338</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	56,413	19,198	-	(26,530)	553	49,634
Cash and cash equivalents - Beginning of year	<u>125,570</u>	<u>32,512</u>	<u>-</u>	<u>26,530</u>	<u>8,241</u>	<u>192,853</u>
Cash and cash equivalents - End of year	<u>\$ 181,983</u>	<u>\$ 51,710</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 8,794</u>	<u>\$ 242,487</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>						
Operating income (loss)	\$ 25,910	\$ 18,424	-	\$ -	\$ 2,053	\$ 46,387
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	-	63	-	-	-	63
Change in assets and liabilities:						
(Increase)/decrease in due from other governments	1,190	711	(500)	4,620	-	6,021
Increase/(decrease) in accounts payable	(4,289)	-	-	-	(1,500)	(5,789)
Increase/(decrease) in accrued employee benefits	1,114	-	-	-	-	1,114
Net cash provided by (used for) operating activities	<u>\$ 23,925</u>	<u>\$ 19,198</u>	<u>(500)</u>	<u>\$ 4,620</u>	<u>\$ 553</u>	<u>\$ 47,796</u>

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

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The North Cook Intermediate Service Center #1 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

In 2016, the North Cook Intermediate Service Center #1 implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Principles for State and Local Governments – supersedes GASB Statement No. 55*. The North Cook Intermediate Service Center #1 implemented these standards during the current year. The implementation of GASB Statement No. 72 establishes guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments and disclosures. The implementation of GASB Statement No. 73 establishes required enhancements to financial statement disclosures by establishing a single framework for the presentation of information about pensions. The implementation of GASB Statement No. 76 prioritizes the guidance state and local governments follow when preparing financial statements in accordance with *Generally Accepted Accounting Principles*.

A. Date of Management’s Review

Management has evaluated subsequent events through May 09, 2017 the date when the financial statements were available to be issued.

B. Financial Reporting Entity

The portion of Cook County, Illinois, outside of the City of Chicago, constitutes a Regional Office of Education established pursuant to Section 3A-4 of the Illinois School Code (105 ILCS 5/3A-4) and has an oversight board responsible for the duties and programs specified in Section 3A-17 of the Illinois School Code administered through three (3) Intermediate Service Centers (North Cook, West Cook, and South Cook).

The purpose of North Cook Intermediate Service Center #1 is to provide services designed to be responsive to the needs of the schools in North Cook County, Illinois. This area includes the districts within the territorial boundaries of the following high school districts:

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

North Cook Intermediate Service Center #1 is governed by a board of directors. The administrative agent designated for this Center is Des Plaines School District #62.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Financial Reporting Entity (Concluded)**

More specifically, North Cook Intermediate Service Center #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 skill 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 Illinois 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.

**C. Scope of Reporting Entity**

The North Cook Intermediate Service Center #1's reporting entity includes all related organizations for which they exercise oversight responsibility.

The North Cook Intermediate Service Center #1 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the region, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the North Cook Intermediate Service Center #1 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the Intermediate Service Center #1 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Intermediate Service Center #1 is not aware of any entity, which would exercise such oversight as to result in the Intermediate Service Center #1 being considered a component unit of the entity.

**D. Government-Wide and Fund Financial Statements**

The North Cook Intermediate Service Center #1's government-wide financial statements include a Statement of Net Position and a Statement of Activities and report information on all of the non-fiduciary activities of the North Cook Intermediate Service Center #1. These statements present a summary of governmental and business-type activities for the North Cook Intermediate Service Center #1 accompanied by a total and are presented on an "economic resources" measurement focus as prescribed by GASB Statement No. 34. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues. The North Cook Intermediate Service Center #1 also has business-type activities that rely on fees and charges for support.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Government-Wide and Fund Financial Statements (Concluded)**

All of the North Cook Intermediate Service Center #1's assets, including capital assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statement of Net Position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and any fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and reported in a single column.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as, payables, receivables and transfers. Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and proprietary fund Statement of Net Position and as other sources and other uses on the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, if applicable. In the Statement of Activities those transactions between governmental and business-type activities, if applicable, have not been eliminated.

**E. Governmental Fund Financial Statements**

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

The governmental fund financial statements have been prepared in accordance with generally accepted accounting principles on the modified accrual basis. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., 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 inflows of resources in the governmental fund financial statements but are recognized as current revenues in the government-wide financial statements. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for prepaid expenses and other long-term obligations, which are recognized when paid.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

F. Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and nonmajor funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets plus deferred outflows of resources and liabilities plus deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues, if any, are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses, if any, are reported as non-operating expenses.

G. Measurement Focus and 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 eligibility requirements imposed by the grantor have been met.

The governmental funds financial statements focus on the measurement of spending or "financial flow" and the determination of changes in financial position, rather than upon net income determination. This means that only current assets plus deferred outflows of resources and current liabilities plus deferred inflows of resources are generally included on their balance sheets. The reported fund balance (net current position) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the North Cook Intermediate Service Center #1; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Under the terms of grant agreements, North Cook Intermediate Service Center #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 North Cook Intermediate Service Center #1's policy to first apply restricted funds, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned if any.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Fund Accounting

The North Cook Intermediate Service Center #1 uses funds to maintain its financial records during the year. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purposes 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. The North Cook Intermediate Service Center #1 uses governmental and proprietary funds.

*Governmental Funds*

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

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

The North Cook Intermediate Service Center #1 reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the North Cook Intermediate Service Center #1 and is used to account for all financial resources within the territorial boundaries of the Center except those required to be accounted for and reported in another fund. General funds include the following:

General Operations – This fund is the general operating fund of the North Cook Intermediate Service Center #1. It is used to account for all financial resources except those required to be accounted for in another fund.

General State Aid – Safe Schools – 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.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Fund Accounting (Continued)

*Governmental Funds (Continued)*

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

Education – This fund is used to account for and report the proceeds of specific revenue sources that are restricted by grant agreements or contracts to expenditures for specified purposes supporting education enhancement programs as follows:

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 to this program.

Regional Safe Schools Cooperative – This program provides activities for disruptive students who are eligible for suspension or expulsion. The activities provide individually designed curriculum, social skills training, career exploration and work experience opportunities, and opportunities to work toward re-entry into the traditional programs, if appropriate.

ROE/ISC Operations – Program monies for ROE/ISC administrative operations. Program funding is used to keep offices open in order to provide professional development to teachers in the area.

Tech for Success – Accounts for monies and expenditures incurred to create and support ongoing learning teams focused on alignment of classroom level assessment and instruction.

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

Title II Teacher Quality – Leadership – The purpose of this grant is to increase academic achievement by improving teacher and principal quality. The program is carried out by increasing the number of highly qualified teachers in classrooms, increasing the number of highly qualified principals and assistant principals in schools, and increasing the effectiveness of teachers and principals by holding LEAs and schools accountable for improvements in student academic achievement.

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

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



**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Fund Accounting (Concluded)

*Governmental Funds (Concluded)*

Nonmajor Special Revenue Funds – The North Cook Intermediate Service Center #1 does not have any nonmajor special revenue funds for the year ended June 30, 2016.

*Proprietary Funds*

Proprietary funds are those which account for resources from fees charged directly to those entities or individuals that use its services.

Major Proprietary Funds – The North Cook Intermediate Service Center #1 reports the following proprietary fund as a major fund:

Workshops – Accounts for revenues and expenses associated with workshops conducted by the North Cook Intermediate Service Center #1.

Nonmajor Proprietary Funds – The North Cook Intermediate Service Center #1 reports the following nonmajor proprietary fund:

Fingerprinting – Accounts for the administration of the Fingerprinting Program.

Non-Public School Inspection – The purpose of this fund is to perform inspections for the Illinois State Board of Education, in accordance with the School Code, in order to provide for the voluntary registration and recognition of nonpublic elementary and secondary schools.

Outside Professional Development Providers – Accounts for revenues and expenses associated approving professional development seminars put on by the Bureau of Education and Research and issuing professional development hours to the attendees.

Local Mentoring – Accounts for programs that offer coordinated services to at-risk students and their families.

I. Governmental Fund Balances

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

Nonspendable Fund Balance – The portion of a governmental fund's net position that is not available to be spent, either short term or long term, in either its form or through legal restrictions. The Center has no nonspendable fund balances.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

I. Governmental Fund Balances (Concluded)

Restricted Fund Balance – The portion of a governmental fund’s net position that is subject to external enforceable legal restrictions. The following fund balances are restricted by Illinois Statute: Institute and Bus Driver.

Committed Fund Balance – The portion of a governmental fund’s net position with self-imposed constraints or limitations that have been placed at the highest level of decision making. The Center has no committed fund balances.

Assigned Fund Balance – The portion of a governmental fund’s net position for which an intended use of resources has been denoted. The accounts presented with assigned fund balances are specified for a particular purpose by the Executive Director. The Center has no assigned fund balances.

Unassigned Fund Balance – Available expendable financial resources in a governmental fund that are not designated for a specific purpose. The following General Fund accounts have unassigned fund balances: General Operations and General State Aid – Safe Schools.

J. Net Position

Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

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

K. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit. The North Cook Intermediate Service Center #1 considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

L. Investments

State statutes authorize North Cook Intermediate Service Center #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.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

M. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more and estimated useful lives of greater than one year are recorded at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Equipment	5-15 years
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Capital assets in the governmental fund financial statements are reported as expenditures when incurred.

N. Interfund Receivables and Payables

The recordings of due from and due to other funds are a result of various borrowings between funds during the year.

O. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

P. Deferred Inflows of Resources

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

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

**Q. Compensated Absences**

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

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

North Cook Intermediate Service Center #1's full-time staff members working in a certified position receive 12 days of vacation per year with one additional day per year after each subsequent year of service, up to a maximum of 20 total days. Vacation time for noncertified and certified employees is earned throughout the year on a prorated basis. Vacation days in one fiscal year must be used by the end of that fiscal year.

With the prior approval of the Executive Director, up to 10 days may be carried over from year to year, but in no instance may accrued days of vacation from the prior year exceed ten. The liability balances at June 30, 2016 and 2015 were \$5,651 and \$10,048, respectively.

**R. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**S. Budget Information**

The North Cook Intermediate Service Center #1 acts as the administrative agent for certain grant programs that are accounted for in the Education Fund. Certain programs have separate budgets and are required to report to the Illinois State Board of Education; however, none of the annual budgets have been legally adopted nor are they required to do so. Comparisons of budgeted and actual results are presented as supplemental information.

Budgetary comparison schedules have been provided in supplementary schedules for the following programs: Regional Safe Schools, Regional Safe Schools Cooperative, ROE/ISC Operations (00), ROE/ISC Operations (01), Title I School Improvement & Accountability, and Title II Teacher Quality – Leadership.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2: 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. Effective July 1, 2000, North Cook Intermediate Service Center #1 began utilizing Des Plaines School District #62 as its administrative agent in order to better facilitate accounting for its transactions. Township treasurer duties rest with Maine Township High School District #207 for Des Plaines School District #62 and a number of other districts. At June 30, 2000, all investments were transferred to District #207.

District #207 invests excess funds at its discretion, subject to 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 a 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.

A. Bank Deposits

At June 30, 2016, the carrying amount of the North Cook Intermediate Service Center #1's government-wide deposits were \$1,194,936, including \$1,189,736 held on deposit with District #207, two imprest accounts totaling \$5,000, and \$200 cash on hand. The bank balance for the imprest accounts was \$5,000 which was fully covered by Federal Deposit Insurance Corporation. Risk category was not determinable for the amount pooled and held on deposit with a separate legal governmental agency (District #207).

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the Regional Office of Education's deposits may not be returned to it. To guard against custodial credit risk for deposits with financial institutions, the North Cook Intermediate Service Center #1 requires that deposits with financial institutions in excess of FDIC limits be secured by some form of collateral, by a written agreement, and held at an independent, third-party institution in the name of its township treasurer.

B. Investments

North Cook Intermediate Service Center #1's investments are held by District #207. The carrying and fair value of investments was \$1,202,843.

*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 deposits 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, 2016, District #207's investment in the external pool was rated within the three highest classifications by at least two standard rating services.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2: DEPOSITS AND INVESTMENTS (CONCLUDED)**

*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. District #207 has no specific policy on the interest rate risk at year end. Management guidelines suggest investments not exceed six years in maturity from the date of purchase.

**NOTE 3: DEFINED BENEFIT PENSION PLAN**

**IMRF Plan Description**

The North Cook Intermediate Service Center #1's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The North Cook Intermediate Service Center #1's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

**Benefits Provided**

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

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

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

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**NOTE 3: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

**Employees Covered by Benefit Terms**

As of December 31, 2015, the following employees were covered by the benefit terms:

	<b>IMRF</b>
Retirees and Beneficiaries currently receiving benefits	9
Inactive Plan Members entitled to but not yet receiving benefits	13
Active Plan Members	8
<b>Total</b>	<b>30</b>

**Contributions**

As set by statute, the North Cook Intermediate Service Center #1's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The North Cook Intermediate Service Center #1's annual contribution rate for calendar year 2015 was 8.39%. For the fiscal year ended 2015, the North Cook Intermediate Service Center #1 contributed \$33,305 to the plan. The North Cook Intermediate Service Center #1 also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**Net Pension Liability**

The North Cook Intermediate Service Center #1's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 3.5%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.

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**NOTE 3: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Actuarial Assumptions (Concluded)**

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

<b>Asset Class</b>	<b>Portfolio Target Percentage</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	2.75-8.15%
Cash Equivalents	1%	2.25%
<b>Total</b>	<b>100%</b>	

**Single Discount Rate**

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

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.50%.



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**NOTE 3: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (A)</b>	<b>Plan Fiduciary Net Position (B)</b>	<b>Net Pension Liability (Asset) (A) - (B)</b>
<b>Balances at December 31, 2014</b>	\$ 1,278,831	\$ 1,334,878	\$ (56,047)
<b>Changes for the year:</b>			
Service Cost	46,088	-	46,088
Interest on the Total Pension Liability	96,328	-	96,328
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(8,118)	-	(8,118)
Changes of Assumptions	-	-	-
Contributions - Employer	-	33,305	(33,305)
Contributions - Employees	-	17,863	(17,863)
Net Investment Income	-	(26,560)	26,560
Benefit Payments, including Refunds of Employee Contributions	(37,137)	(37,137)	-
Other (Net Transfer)	-	3,738	(3,738)
<b>Net Changes</b>	<b>97,161</b>	<b>(8,791)</b>	<b>105,952</b>
<b>Balances at December 31, 2015</b>	<b>\$ 1,375,992</b>	<b>\$ 1,326,087</b>	<b>\$ 49,905</b>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

	<b>1% Lower 6.50%</b>	<b>Current Discount 7.50%</b>	<b>1% Higher 8.50%</b>
<b>Net Pension Liability (Asset)</b>	\$ 233,129	\$ 49,905	\$ (98,910)

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**NOTE 3: DEFINED BENEFIT PENSION PLAN (CONCLUDED)**

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

For the year ending June 30, 2016, the North Cook Intermediate Service Center #1 recognized pension expense of \$75,836. At June 30, 2016, the North Cook Intermediate Service Center #1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Amounts Related to Pensions</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ 2,247	\$ 5,050
Changes of assumptions	15,653	-
Net difference between projected and actual earnings on pension plan investments	<u>116,925</u>	<u>-</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>134,825</u>	<u>5,050</u>
<i>Pension Contributions made Subsequent to the Measurement Date</i>		
	<u>17,724</u>	<u>-</u>
<b>Total Deferred Amounts Related to Pensions</b>	<b><u>\$ 152,549</u></b>	<b><u>\$ 5,050</u></b>

\$17,724 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<b>Year Ending December 31,</b>	<b>Net Deferred Outflows of Resources</b>
2016	\$ 45,402
2017	28,587
2018	30,569
2019	25,217
2020	-
Thereafter	-
<b>Total</b>	<b><u>\$ 129,775</u></b>

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
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**NOTE 4: TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS**

The North Cook Intermediate Service Center #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. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at <http://trs.illinois.gov/pubs/cafr.htm>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 877-0890, option 2.

**Benefits provided**

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

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

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

**Contributions**

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2016, was 9.4 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the North Cook Intermediate Service Center #1.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
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**NOTE 4: TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (CONTINUED)**

**On-behalf contributions to TRS.** The State of Illinois makes employer pension contributions on behalf of the North Cook Intermediate Service Center #1. For the year ended June 30, 2016, State of Illinois contributions recognized by the North Cook Intermediate Service Center #1 were based on the State's proportionate share of the collective net pension liability associated with the North Cook Intermediate Service Center #1, and the North Cook Intermediate Service Center #1 recognized revenue and expenditures of \$1,199,605 in pension contributions from the State of Illinois.

**2.2 formula contributions.** Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2016, were \$6,534, and are deferred because they were paid after the June 30, 2015, measurement date.

**Federal and special trust fund contributions.** When TRS members are paid from federal and special trust funds administered by the North Cook Intermediate Service Center #1, there is a statutory requirement for the North Cook Intermediate Service Center #1 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since 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. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2016, the employer pension contribution was 36.06 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2016, salaries totaling \$0 were paid from federal and special trust funds that required employer contributions of \$0. These contributions are deferred because they were paid after the June 30, 2015, measurement date.

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

The North Cook Intermediate Service Center #1 is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2016, the North Cook Intermediate Service Center #1 made no payments to TRS for employer contributions due on salary increases in excess of 6 percent and no payments for sick leave days granted in excess of the normal allotment.

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

At June 30, 2016, the North Cook Intermediate Service Center #1 reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for State pension support provided to the employer. The State's support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the employer were as follows:

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**NOTE 4: TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded)**

Employers proportionate share of the net pension liability	\$ 295,375
State's proportionate share of the net pension liability associated with the employer	<u>14,642,103</u>
<b>Total</b>	<b><u>\$14,937,478</u></b>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, and rolled forward to June 30, 2015. The North Cook Intermediate Service Center #1's proportion of the net pension liability was based on the employer's share of contributions to TRS for the measurement year ended June 30, 2015, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2015, the North Cook Intermediate Service Center #1's proportion was 0.00045088532 percent, which was an increase of 0.0001896098 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the North Cook Intermediate Service Center #1 recognized pension expense of \$1,199,605 and revenue of \$1,199,605 for support provided by the State. At June 30, 2016, the North Cook Intermediate Service Center #1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 110	\$ 324
Net difference between projected and actual earnings on pension plan investments	5,850	10,343
Change of assumptions	4,085	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	103,066	22,253
Employer contributions subsequent to the measurement date	<u>6,534</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 119,645</u></b>	<b><u>\$ 32,920</u></b>

\$6,534 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>		
2017	\$	18,100
2018		18,100
2019		18,100
2020		<u>25,890</u>
<b>Total</b>	<b>\$</b>	<b><u>80,191</u></b>

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**NOTE 4: TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (CONTINUED)**

**Actuarial assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Inflation</b>	3.00 percent
<b>Salary Increase</b>	varies by amount of service credit
<b>Investment rate of return</b>	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014.

The actuarial assumptions for the years ended June 30, 2015 and 2014 were different. The actuarial assumptions used in the June 30, 2015 valuation were based on the 2015 actuarial experience analysis. The investment return assumption remained at 7.5 percent, salary increase assumptions were lowered, retirement rates were increased, mortality updates were made and other assumptions were revised. The actuarial assumptions used in the June 30, 2014 valuation were based on updates to economic assumptions adopted in 2014 which lowered the investment return assumption from 8.0 percent to 7.5 percent. The salary increase and inflation assumptions were also lowered from their 2013 levels.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. large cap	18%	7.53%
Global equity excluding U.S.	18%	7.88%
Aggregate bonds	16%	1.57%
U.S. TIPS	2%	2.82%
NCREIF	11%	5.11%
Opportunistic real estate	4%	9.09%
ARS	8%	2.57%
Risk parity	8%	4.87%
Diversified inflation strategy	1%	3.26%
Private equity	14%	12.33%
<b>Total</b>	<b>100%</b>	

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**NOTE 4: TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (CONCLUDED)**

**Discount Rate**

At June 30, 2015, the discount rate used to measure the total pension liability was a blended rate of 7.47 percent, which was a change from the June 30, 2014 rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position at June 30, 2015 was not projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I's liability is partially funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Despite the subsidy, all projected future payments were not covered, so a slightly lower long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2014, the discount rate used to measure the total pension liability was 7.50 percent. The discount rate was the same as the actuarially-assumed rate of return on investments that year because TRS's fiduciary net position and the subsidy provided by Tier II were sufficient to cover all projected benefit payments.

**Sensitivity of the North Cook Intermediate Service Center #1's proportionate share of the net pension liability to changes in the discount rate**

The following presents the North Cook Intermediate Service Center #1's proportionate share of the net pension liability calculated using the discount rate of 7.47 percent, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.47 percent) or 1 percentage point higher (8.47 percent) than the current rate.

	<b>1% Decrease (6.47%)</b>	<b>Current Discount Rate (7.47%)</b>	<b>1% Increase (8.47%)</b>
Employer's proportionate share of the net pension liability	\$ 365,011	\$ 295,375	\$ 238,272

**TRS fiduciary net position**

Detailed information about the TRS's fiduciary net position as of June 30, 2015 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
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**NOTE 5: OTHER POST-EMPLOYMENT BENEFITS**

A. Teacher Health Insurance Security Fund

The North Cook Intermediate Service Center #1 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Annuitants who were enrolled in Medicare Parts A and B may be eligible to enroll in a Medicare Advantage plan.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to THIS Fund.

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

**On-behalf contributions to the THIS Fund.** The State of Illinois makes employer retiree health insurance contributions on behalf of the Center. State contributions are intended to match contributions to THIS Fund from active members which were 1.07% of pay during the year ended June 30, 2016. State of Illinois contributions were \$12,054 and the North Cook Intermediate Service Center #1 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2015 and June 30, 2014 were 1.02 and 0.97 percent of pay, respectively. State contributions on behalf of the North Cook Intermediate Service Center #1's employees were \$10,870 and \$10,675, respectively.

**Employer contributions to the THIS Fund.** The North Cook Intermediate Service Center #1 also makes contributions to the THIS Fund. The North Cook Intermediate Service Center #1's THIS fund contribution was 0.80 percent during the year ended June 30, 2016 and 0.76 percent and 0.72 percent during the years ended June 30, 2015 and June 30, 2014, respectively. For the year ended June 30, 2016, the Center paid \$8,477 to the THIS fund, which was 100% of the required contribution. For the years ended June 30, 2015 and 2014, the North Cook Intermediate Service Center #1 paid \$8,064 and \$7,924, respectively, which was 100% of the required contribution.

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



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**NOTE 5: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**B. Illinois Municipal Retirement Fund – Health Insurance**

**Plan Description and Actuarial Valuation.** In addition to providing the pension benefits described in Note 3, the North Cook Intermediate Service Center #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 North Cook Intermediate Service Center #1 and can be amended by board approval. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

For financial statement purposes, an actuarial valuation is required at least biennially for OPEB plans with a total membership (including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits) of 200 or more, or at least triennially for plans with a total membership of fewer than 200. As a result of these requirements, North Cook Intermediate Service Center #1 was required to have an actuarial valuation for the year ended June 30, 2016. July 1, 2015 is the most recent actuarial valuation of North Cook Intermediate Service Center #1’s plan. The results of North Cook Intermediate Service Center #1’s latest actuarial valuation are described below.

**Benefits Provided.** The North Cook Intermediate Service Center #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 North Cook Intermediate Service Center #1 retirement plan. Upon a retiree reaching 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 North Cook Intermediate Service Center #1’s insurance provider.

**Membership.** At July 1, 2015, the date of the actuarial valuation, membership consisted of:

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

**Funding Policy.** The North Cook Intermediate Service Center #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.

**Annual OPEB Costs and OPEB Obligation.** The North Cook Intermediate Service Center #1 had an actuarial valuation performed for the plan as of July 1, 2015 to determine the funded status of the plan as of that date and the employer’s annual required contribution (ARC) for the fiscal year ended June 30, 2016. The North Cook Intermediate Service Center #1’s annual OPEB cost (expense) was \$2,674, interest on net OPEB obligation was \$384 and the adjustment to the annual required contribution was \$487. The North Cook Intermediate Service Center #1’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2016 was as follows:

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5: OTHER POST-EMPLOYMENT BENEFITS (CONCLUDED)**

B. Illinois Municipal Retirement Fund – Health Insurance (Concluded)

**Annual OPEB Costs and OPEB Obligation (Concluded)**

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 2,674	\$ -	0%	\$ 9,767

The OPEB obligation as of June 30, 2016, was calculated as follows:

Annual Required Contribution	\$ 2,777
Interest on OPEB Obligation	384
Adjustment to Annual Required Contribution	<u>(487)</u>
Annual OPEB Cost	2,674
Estimated Annual Employer Contributions	<u>(579)</u>
Increase in OPEB Obligation	2,095
OPEB Obligation Beginning of Year	<u>7,672</u>
OPEB Obligation End of Year	<u><u>\$ 9,767</u></u>

**Funded Status and Funding Progress.** Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions and the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability 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, 2015 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 6.50% with a 5.00% increase for 2018-2019 and later years. Both rates include a 2.00% inflation assumption.

The actuarial value of assets was not determined as the North Cook Intermediate Service Center #1 has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized using a level dollar method. The remaining amortization period at July 1, 2015 was 30 years.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6: INTERFUND RECEIVABLES AND PAYABLES**

Interfund due to / from other fund balances at June 30, 2016 consist of the following individual due to / from other funds in the governmental funds Balance Sheet. Balances of the same fund type were eliminated in the government-wide Statement of Net Position. The purpose of interfund borrowing was to cover temporary shortfalls in cash flow within grant programs and funds.

Fund	Due From Other Funds	Due to Other Funds
General Funds		
General State Aid – Safe Schools	\$ 362,434	\$ -
Major Special Revenue Fund – Education Funds		
ROE/ISC Operations (00)	-	242,551
ROE/ISC Operations (01)	-	113,392
Title II Teacher Quality – Leadership	-	5,991
Nonmajor Proprietary Funds		
Non-Public School Inspections	-	500
	<u>\$ 362,434</u>	<u>\$ 362,434</u>

**NOTE 7: DUE TO/DUE FROM OTHER GOVERNMENTAL UNITS**

The North Cook Intermediate Service Center #1's General Fund, Education Fund, Bus Driver Fund, Nonmajor Proprietary Fund – Fingerprinting, and Nonmajor Proprietary Fund – Non-Public School Inspections have funds due to and due from various other governmental units which consist of the following:

Due from Other Governments:

General Fund		
Local Governments	\$	3,736
Special Revenue Fund – Education Fund		
Illinois State Board of Education		413,759
Special Revenue Fund – Bus Driver		
Illinois State Board of Education		56,921
Nonmajor Proprietary Fund – Fingerprinting		
Local Governments		2,292
Nonmajor Proprietary Fund – Non-Public School Inspections		
Local Governments		500
Total	<u>\$</u>	<u>477,208</u>

Due to Other Governments:

Special Revenue Fund – Education Fund		
Illinois State Board of Education	\$	60,604
	<u>\$</u>	<u>60,604</u>

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8: CAPITAL ASSETS**

Governmental Activities

Capital asset activity for fiscal year 2016 was as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Governmental Funds Equipment	\$ 502,231	\$ -	\$ 129,620	\$ 372,611
Less: Accumulated Depreciation	<u>466,581</u>	<u>10,185</u>	<u>122,263</u>	<u>354,503</u>
Governmental Funds Investment in Capital Assets, Net	<u>\$ 35,650</u>	<u>\$ (10,185)</u>	<u>\$ 7,357</u>	<u>\$ 18,108</u>

Business-Type Activities

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Governmental Funds Equipment	\$ 990	\$ -	\$ -	\$ 990
Less: Accumulated Depreciation	<u>94</u>	<u>63</u>	<u>-</u>	<u>157</u>
Governmental Funds Investment in Capital Assets, Net	<u>\$ 896</u>	<u>\$ (63)</u>	<u>\$ -</u>	<u>\$ 833</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense of \$10,185 and \$63 was charged to the governmental activities instructional services function and business-type activities instructional services function, respectively, on the government-wide Statement of Activities for the year ended June 30, 2016. Invested in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

**NOTE 9: RISK MANAGEMENT**

The North Cook Intermediate Service Center #1 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. North Cook Intermediate Service Center #1 has purchased commercial insurance to cover these risks. During the year ended June 30, 2016, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10: ON-BEHALF PAYMENTS**

The State of Illinois paid the following contributions on-behalf of the North Cook Intermediate Service Center #1:

State of Illinois		
THIS fund contributions	\$	12,054
ISC #1's share of TRS pension expense		1,199,605
Total	\$	<u>1,211,659</u>

The North Cook Intermediate Service Center #1 recorded \$1,199,605 in revenue and expenses as on-behalf payments from the Illinois State Board of Education for the North Cook Intermediate Service Center #1's share of the State's Teachers' Retirement System (TRS) pension expense in the Statement of Activities. In addition, the North Cook Intermediate Service Center #1 has not included any on-behalf payments related to the State's TRS pension expense for the Executive Director and Assistant Executive Director.

**NOTE 11: INTERFUND TRANSFERS**

Interfund transfers in/out to other funds at June 30, 2016 consisted of the following individual transfers in/out to other funds in the fund statements. These transfers were made in order to meet operating costs in the receiving funds. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities; however, any transfers between the governmental funds and the business-type funds were not eliminated.

	Transfers In	Transfers Out
General Fund		
General Operations	\$ 700,023	\$ -
General State Aid – Safe Schools	-	718,497
Special Revenue Fund – Education Fund		
Title I School Improvement & Accountability	16,565	-
Title II Teacher Quality – Leadership	1,909	-
Major Proprietary Fund		
Workshops	31,150	-
Nonmajor Proprietary fund		
Outside Professional Development Providers	-	31,150
Total	<u>\$ 749,647</u>	<u>\$ 749,647</u>

**NOTE 12: OPERATING LEASES**

The North Cook Intermediate Service Center #1 has entered into the following operating building leases:

Lease 1: On December 10, 1999, a lease agreement was entered into for office and classroom suites (Suites 414/L14/L15) in Des Plaines, IL. This lease was amended in 2003 to include an additional 1,610 square feet for classroom Suite 201. The most recent amendment on September 16, 2013 extended the lease until July 31, 2019.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 12: OPERATING LEASES (CONTINUED)**

Lease 1 (Concluded)

Rental terms are as follows

Suite 414:	October 1, 2014 to September 30, 2015 at \$9,231.43 per month October 1, 2015 to September 30, 2016 at \$9,417.61 per month October 1, 2016 to September 30, 2017 at \$9,603.79 per month October 1, 2017 to September 30, 2018 at \$9,795.14 per month October 1, 2018 to July 31, 2019 at \$9,991.66 per month
Suites L14/L15	October 1, 2014 to September 30, 2015 at \$12,161.08 per month October 1, 2015 to September 30, 2016 at \$12,407.75 per month October 1, 2016 to September 30, 2017 at \$12,654.43 per month October 1, 2017 to September 30, 2018 at \$12,909.33 per month October 1, 2018 to July 31, 2019 at \$13,164.22 per month
Suite 201:	October 1, 2013 to July 31, 2019 at \$250.00 per day (only to be charged on days suite is actually used)

Lease 2: On April 22, 2005, a new lease agreement was entered into for property located in Palatine, IL. The lease was amended on September 17, 2013 to extend the lease term until July 31, 2015. Rental terms are as follows:

August 1, 2014 to July 31, 2015 at \$7,509.00 per month

Total rent expense for fiscal year ended June 30, 2016 related to these building leases was \$268,115. The leases carry no restrictions on the financial operating policies.

Minimum future rental payments under the above non-cancellable leases having remaining terms in excess of 1 year as of June 30, 2016 for each of the next four years and in the aggregate are as follows:

Year Ended June 30,		
2017	\$	265,800
2018		271,115
2019		276,516
2020		69,468
Total	\$	<u>882,899</u>

The North Cook Intermediate Service Center #1 also leases certain copy equipment under a non-cancellable rental agreement. The lease term was for five years commencing December 19, 2012 with monthly payments of \$1,216.61. This lease was replaced with a new lease for copy equipment under a non-cancellable rental agreement. The lease term in for five years commencing May 12, 2016 with monthly payments of \$920. Rental expense for the year ended June 30, 2016 was \$14,006. Minimum future rental payments required under this equipment lease is as follows:

**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 12: OPERATING LEASES (CONCLUDED)**

Lease 2 (Concluded)

Year Ended June 30,		
2017	\$	11,040
2018		11,040
2019		11,040
2020		11,040
2021		9,200
Total	\$	<u>53,360</u>

**NOTE 13: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Generally accepted accounting principles require disclosure of certain information concerning individual funds which are presented only in combination on the financial statements. Funds having deficit fund balances/net position and funds which over expend appropriations during the year are required to be disclosed.

The following fund had a deficit fund balance at June 30, 2016:

General Fund – General Operations	\$	2,906
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**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Other than Management's Discussion and Analysis)**



**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY & RELATED RATIOS**  
**ILLINOIS MUNICIPAL RETIREMENT FUND**  
**LAST TWO CALENDAR YEARS**

Calendar Year Ended December 31,	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>		
Service Cost	\$ 46,088	\$ 42,175
Interest on the Total Pension Liability	96,328	84,708
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(8,118)	8,271
Changes of Assumptions	-	57,581
Benefit Payments, including Refunds of Employee Contributions	(37,137)	(43,443)
<b>Net Change in Total Pension Liability</b>	<u>97,161</u>	<u>149,292</u>
<b>Total Pension Liability - Beginning</b>	<u>1,278,831</u>	<u>1,129,539</u>
<b>Total Pension Liability - Ending (A)</b>	<u><u>\$ 1,375,992</u></u>	<u><u>\$ 1,278,831</u></u>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 33,305	\$ 34,962
Contributions - Employees	17,863	16,236
Net Investment Income	(26,560)	67,804
Benefit Payments, including Refunds of Employee Contributions	(37,137)	(43,443)
Other (Net Transfer)	3,738	(895)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(8,791)</u>	<u>74,664</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>1,334,878</u>	<u>1,260,214</u>
<b>Plan Fiduciary Net Position - Ending (B)</b>	<u><u>\$ 1,326,087</u></u>	<u><u>\$ 1,334,878</u></u>
<b>Net Pension Liability - Ending (A) - (B)</b>	<u><u>\$ 49,905</u></u>	<u><u>\$ (56,047)</u></u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	96.37%	104.38%
<b>Covered Valuation Payroll</b>	\$ 396,964	\$ 360,807
<b>Net Pension Liability as a Percentage of Covered Valuation Payroll</b>	12.57%	-15.53%

**Notes to Schedule:**

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

**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND  
LAST TWO CALENDAR YEARS**

<b>Calendar Year Ended December 31,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Valuation Payroll</b>	<b>Actual Contribution as a Percentage of Covered Valuation Payroll</b>
2014	\$ 32,725 *	\$ 34,962	\$ (2,237)	\$ 360,807	9.69%
2015	33,305	33,305	-	396,964	8.39%

**Notes to Schedule:**

***Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate\****

**Valuation Date:**

Notes

Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine 2015 Contribution Rates:**

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	28-year closed period
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	4%
<i>Price Inflation:</i>	3%, approximate; No explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	4.40% to 16%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
<i>Mortality:</i>	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92 percent of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

***Other Information:***

Notes:

There were no benefit changes during the year.

\* Based on Valuation Assumptions used in the December 31, 2013, actuarial valuation; note two year lag between valuation and rate setting.

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

**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
FOR THE YEAR ENDED JUNE 30, 2016 †**

	FY15*	FY14*
Employer's proportion of the net pension liability	0.004508853%	0.0002612755%
Employer's proportionate share of the net pension liability	\$ 295,375	\$ 159,008
State's proportionate share of the net pension liability associated with the employer	14,642,103	6,798,628
<b>Total</b>	\$ 14,937,478	\$ 6,957,636
Employer's covered-employee payroll	\$ 1,065,655	\$ 1,100,532
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	27.7%	14.4%
Plan fiduciary net position as a percentage of the total pension liability	41.5%	43.0%

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
FOR THE YEAR ENDED JUNE 30, 2016 †**

	FY16	FY15	FY14
Statutorily-required contribution	\$ 6,534	\$ 6,181	\$ 6,383
Contributions in relation to statutorily-required contribution	6,534	6,181	6,383
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 1,126,577	\$ 1,065,655	\$ 1,100,532
Contributions as a percentage of covered-employee payroll	0.58%	0.58%	0.58%

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

**Notes to this Required Supplementary Information**

*Changes of assumptions*

Amounts reported in 2015 reflect an investment rate of return of 7.5 percent, an inflation rate of 3.0 percent and real return of 4.5 percent, and salary increases that vary by service credit. In 2014, assumptions used were an investment rate of return of 7.5 percent, an inflation rate of 3.0 percent and real return of 4.5 percent, and salary increases of 5.75 percent.

**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS  
SCHEDULE OF FUNDING PROGRESS  
UNAUDITED  
June 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
7/1/2015	\$ -	\$ 17,936	\$ 17,936	0%
7/1/2012	\$ -	\$ 16,884	\$ 16,884	0%
7/1/2009	\$ -	\$ 21,023	\$ 21,023	0%

The actuarial valuation of the Plan was performed as of July 1, 2015. This valuation was completed based upon the use of the unit credit cost method with a 30-year amortization of the unfunded actuarial accrued liability. The results were also based on a discount rate of 5.00% and an initial healthcare cost trend rate of 6.50% with a 5.00% increase for 2018-2019 and later years. Both rates include a 2.00% inflation assumption.

**SUPPLEMENTAL INFORMATION**

**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
COMBINING SCHEDULE OF ACCOUNTS  
GENERAL FUND  
June 30, 2016**

	General Operations	General State Aid - Safe Schools	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 3,727	\$ 473,667	\$ 477,394
Investments	-	602,330	602,330
Accounts receivable	-	8,042	8,042
Due from other funds	-	362,434	362,434
Due from other governments	-	3,736	3,736
Accrued interest receivable	-	3,654	3,654
Total Assets	<u>3,727</u>	<u>1,453,863</u>	<u>1,457,590</u>
<b>Deferred Outflows of Resources</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 3,727</u>	<u>\$ 1,453,863</u>	<u>\$ 1,457,590</u>
<b>Liabilities</b>			
Accounts payable	\$ 4,222	\$ 4,874	\$ 9,096
Accrued employee benefits	2,411	43,617	46,028
Total Liabilities	<u>6,633</u>	<u>48,491</u>	<u>55,124</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance</b>			
Unassigned	<u>(2,906)</u>	<u>1,405,372</u>	<u>1,402,466</u>
Total Fund Balances (Deficits)	<u>(2,906)</u>	<u>1,405,372</u>	<u>1,402,466</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)</b>	<u>\$ 3,727</u>	<u>\$ 1,453,863</u>	<u>\$ 1,457,590</u>

**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GENERAL FUND ACCOUNTS  
For the Year Ended June 30, 2016**

	General Operations	General State Aid - Safe Schools	Total
<b>Revenues</b>			
Local sources	\$ 527	\$ 1,178,812	\$ 1,179,339
State sources	-	405,038	405,038
State sources - on behalf payments	12,054	-	12,054
Interest	-	12,224	12,224
Total Revenue	<u>12,581</u>	<u>1,596,074</u>	<u>1,608,655</u>
<b>Expenditures</b>			
Salaries	49,980	987,438	1,037,418
Employee benefits	25,164	282,723	307,887
Pension expense	7,629	21,563	29,192
Purchased services	23,127	407,307	430,434
Supplies and materials	7,468	25,435	32,903
Capital outlay	-	-	-
Other	5,694	-	5,694
Payments made on behalf of region	12,054	-	12,054
Total Expenditures	<u>131,116</u>	<u>1,724,466</u>	<u>1,855,582</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(118,535)</u>	<u>(128,392)</u>	<u>(246,927)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	700,023	-	700,023
Transfers out	-	(718,497)	(718,497)
Total Other Financing Sources (Uses)	<u>700,023</u>	<u>(718,497)</u>	<u>(18,474)</u>
Net Change in Fund Balance (Deficit)	581,488	(846,889)	(265,401)
Fund Balance (Deficit), Beginning of year	<u>(584,394)</u>	<u>2,252,261</u>	<u>1,667,867</u>
Fund Balance (Deficit), End of year	<u>\$ (2,906)</u>	<u>\$ 1,405,372</u>	<u>\$ 1,402,466</u>

**NORTH COOK INTERMEDIATE SERVICE CENTER #1  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
June 30, 2016**

	Regional Safe Schools	Regional Safe Schools Cooperative	ROE/ISC Operations (00)	ROE/ISC Operations (01)	Tech for Success	Title I School Improvement & Accountability	Title II Teacher Quality - Leadership	Total
<b>Assets</b>								
Cash and cash equivalents	\$ -	\$ 6,315	\$ -	\$ -	\$ 9,240	\$ 10,055	\$ -	\$ 25,610
Due from other governments	-	14,664	242,890	113,392	-	36,822	5,991	413,759
Total Assets	<u>-</u>	<u>20,979</u>	<u>242,890</u>	<u>113,392</u>	<u>9,240</u>	<u>46,877</u>	<u>5,991</u>	<u>439,369</u>
Deferred Outflows of Resources	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 20,979</u>	<u>\$ 242,890</u>	<u>\$ 113,392</u>	<u>\$ 9,240</u>	<u>\$ 46,877</u>	<u>\$ 5,991</u>	<u>\$ 439,369</u>
<b>Liabilities</b>								
Accounts payable	\$ -	\$ -	\$ 339	\$ -	\$ -	\$ 502	\$ -	\$ 841
Accrued employee benefits	-	3,857	-	-	-	2,893	-	6,750
Due to other funds	-	-	242,551	113,392	-	-	5,991	361,934
Due to other governments	-	17,122	-	-	-	43,482	-	60,604
Unearned revenue	-	-	-	-	9,240	-	-	9,240
Total Liabilities	<u>-</u>	<u>20,979</u>	<u>242,890</u>	<u>113,392</u>	<u>9,240</u>	<u>46,877</u>	<u>5,991</u>	<u>439,369</u>
Deferred Inflows of Resources	-	-	-	-	-	-	-	-
<b>Fund Balance</b>								
Restricted	-	-	-	-	-	-	-	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ -</u>	<u>\$ 20,979</u>	<u>\$ 242,890</u>	<u>\$ 113,392</u>	<u>\$ 9,240</u>	<u>\$ 46,877</u>	<u>\$ 5,991</u>	<u>\$ 439,369</u>



**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**EDUCATION FUND ACCOUNTS**  
**For the Year Ended June 30, 2016**

	Regional Safe Schools	Regional Safe Schools Cooperative	ROE/ISC Operations (00)	ROE/ISC Operations (01)	Tech for Success	Title I School Improvement & Accountability	Title II Teacher Quality - Leadership	Total
<b>Revenues</b>								
State sources	\$ 394,508	\$ 41,522	\$ 242,890	\$ 113,392	\$ 4,260	\$ -	\$ -	\$ 796,572
Federal sources	-	-	-	-	-	313,894	50,885	364,779
Total Revenues	<u>394,508</u>	<u>41,522</u>	<u>242,890</u>	<u>113,392</u>	<u>4,260</u>	<u>313,894</u>	<u>50,885</u>	<u>1,161,351</u>
<b>Expenditures</b>								
Salaries	394,508	35,200	105,252	10,340	-	85,998	-	631,298
Employee benefits	-	1,605	-	795	-	3,669	-	6,069
Pension expense	-	223	-	-	-	-	-	223
Purchased services	-	2,942	137,638	101,743	4,260	238,229	52,794	537,606
Supplies and materials	-	1,552	-	514	-	2,563	-	4,629
Total Expenditures	<u>394,508</u>	<u>41,522</u>	<u>242,890</u>	<u>113,392</u>	<u>4,260</u>	<u>330,459</u>	<u>52,794</u>	<u>1,179,825</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,565)</u>	<u>(1,909)</u>	<u>(18,474)</u>
<b>Other Financing Sources (Uses)</b>								
Transfers in	-	-	-	-	-	16,565	1,909	18,474
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,565</u>	<u>1,909</u>	<u>18,474</u>
Net Change in Fund Balance	-	-	-	-	-	-	-	-
Fund Balance, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 8, 2015 to June 30, 2016)**  
**EDUCATION FUND ACCOUNTS**  
**REGIONAL SAFE SCHOOLS**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
State sources	\$ 394,508	\$ 394,508	\$ 394,508
Total Revenues	<u>394,508</u>	<u>394,508</u>	<u>394,508</u>
Expenditures:			
Salaries	394,508	394,508	394,508
Total Expenditures	<u>394,508</u>	<u>394,508</u>	<u>394,508</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	-
Fund Balance - Beginning of Year			<u>-</u>
Fund Balance - End of Year			<u>\$ -</u>

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of October 29, 2015 to June 30, 2016)**  
**EDUCATION FUND ACCOUNTS**  
**REGIONAL SAFE SCHOOLS COOPERATIVE**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 58,644	\$ 58,644	41,522
Total Revenues	<u>58,644</u>	<u>58,644</u>	<u>41,522</u>
Expenditures			
Salaries	40,500	40,500	35,200
Employee benefits	7,363	7,363	1,605
Pension expense	-	-	223
Purchased services	3,400	3,400	2,942
Supplies and materials	7,381	7,381	1,552
Total Expenditures	<u>58,644</u>	<u>58,644</u>	<u>41,522</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund Balance - Beginning of Year			<u>-</u>
Fund Balance - End of Year			<u>\$ -</u>

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 1, 2015 to June 30, 2016)**  
**EDUCATION FUND ACCOUNTS**  
**ROE/ISC OPERATIONS (2016-3730-00)**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 242,648	\$ 242,890	\$ 242,890
Total Revenues	<u>242,648</u>	<u>242,890</u>	<u>242,890</u>
Expenditures			
Salaries	103,707	105,252	105,252
Purchased services	138,941	137,638	137,638
Total Expenditures	<u>242,648</u>	<u>242,890</u>	<u>242,890</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund Balance - Beginning of Year			<u>-</u>
Fund Balance - End of Year			<u>\$ -</u>

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 1, 2015 to June 30, 2016)**  
**EDUCATION FUND ACCOUNTS**  
**ROE/ISC OPERATIONS (2016-3730-01)**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 113,392	\$ 113,392	\$ 113,392
Total Revenues	<u>113,392</u>	<u>113,392</u>	<u>113,392</u>
Expenditures			
Salaries	10,340	10,340	10,340
Employee benefits	795	795	795
Purchased services	99,883	99,883	101,743
Supplies and materials	2,374	2,374	514
Total Expenditures	<u>113,392</u>	<u>113,392</u>	<u>113,392</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Fund Balance - Beginning of Year			<u>-</u>
Fund Balance - End of Year			<u>\$ -</u>

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 7, 2015 to June 30, 2016)**  
**EDUCATION FUND ACCOUNTS**  
**TITLE I SCHOOL IMPROVEMENT & ACCOUNTABILITY**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 444,665	\$ 361,125	\$ 313,894
Total Revenues	<u>444,665</u>	<u>361,125</u>	<u>313,894</u>
Expenditures			
Salaries	124,385	82,361	85,998
Employee benefits	42,222	4,131	3,669
Purchased services	272,231	268,806	238,229
Supplies and materials	5,827	5,827	2,563
Total Expenditures	<u>444,665</u>	<u>361,125</u>	<u>330,459</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(16,565)</u>
Other Financing Sources (Uses)			
Transfers in	<u>-</u>	<u>-</u>	<u>16,565</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>16,565</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund Balance - Beginning of Year			<u>-</u>
Fund Balance - End of Year			<u>\$ -</u>

**NORTH COOK INTERMEDIATE SERVICE CENTER #1**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of September 19, 2015 to June 30, 2016)**  
**EDUCATION FUND ACCOUNTS**  
**TITLE II TEACHER QUALITY LEADERSHIP GRANT**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 50,885	\$ 50,885	\$ 50,885
Total Revenues	<u>50,885</u>	<u>50,885</u>	<u>50,885</u>
Expenditures			
Purchased services	50,885	50,885	52,794
Total Expenditures	<u>50,885</u>	<u>50,885</u>	<u>52,794</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(1,909)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	1,909
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,909</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund Balance - Beginning of Year			<u>-</u>
Fund Balance - End of Year			<u>\$ -</u>