

# **Northern Suburban Special Education District**

Financial Report  
June 30, 2013

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## Independent Auditor's Report

To the Governing Board  
Northern Suburban Special Education District  
Highland Park, Illinois

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund, and the aggregate remaining fund information, of the Northern Suburban Special Education District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District'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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

### Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northern Suburban Special Education District, as of June 30, 2013, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the beginning net position was restated to correct a misstatement. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, such as the budgetary comparison information, and the other information, such as the schedules of funding progress are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*McGladrey LLP*

Chicago, Illinois  
December 23, 2013

**Northern Suburban Special Education District**

**Statement of Net Position - Modified Cash Basis  
June 30, 2013**

**Assets**

Current Assets	
Cash and investments	\$ 8,950,401
<b>Total current assets</b>	<u>8,950,401</u>
 Noncurrent Assets	
Capital assets	20,449,886
Less: Accumulated depreciation	<u>4,496,738</u>
Net capital assets	<u>15,953,148</u>
<b>Total assets</b>	<u>24,903,549</u>
 <b>Liabilities</b>	
Payroll liabilities	718,020
Other liabilities	<u>91,200</u>
<b>Total liabilities</b>	<u>809,220</u>
 <b>Net Position</b>	
Net investment in capital assets	15,953,148
Unrestricted	<u>8,141,181</u>
<b>Total net position</b>	<u>\$ 24,094,329</u>

See Notes to Basic Financial Statements.

**Northern Suburban Special Education District**

**Statement of Activities - Modified Cash Basis  
Year Ended June 30, 2013**

Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Summer School	\$ 562,098	\$ 593,647	\$ 66,706	\$ 98,255
ECP - I Program	2,399,731	2,426,483	549,692	576,444
Local Education Agency (LEA) Services	3,988,908	3,919,943	293,520	224,555
Educational & Life Skills - Program (ELS) - N	6,547,500	6,252,645	720,315	425,460
North Shore Academy	7,511,361	7,499,264	791,901	779,804
ELS - Transition	1,088,641	1,083,875	111,710	106,944
IDEA Flow Through	6,091,986	-	5,529,154	(562,832)
LEA Contractual - DORS	8,870,402	8,505,265	936,387	571,250
Indirect costs	8,096,218	586,555	6,519,522	(990,141)
Other	53,211	-	1,247	(51,964)
<b>Total governmental activities</b>	<b>\$ 45,210,056</b>	<b>\$ 30,867,677</b>	<b>\$ 15,520,154</b>	<b>1,177,775</b>
General revenues				
Investment income				13,047
Change in net position				1,190,822
Net position - Beginning of Year, as restated				22,903,507
Net position - End of Year				\$ 24,094,329

See Notes to Basic Financial Statements.

**Northern Suburban Special Education District**

**Balance Sheet - Modified Cash Basis  
Governmental Funds  
June 30, 2013**

	General Fund	Capital Projects Fund	Total
<b>Assets</b>			
Cash and investments	\$ 8,950,391	\$ 10	\$ 8,950,401
<b>Total assets</b>	<b>\$ 8,950,391</b>	<b>\$ 10</b>	<b>\$ 8,950,401</b>
<b>Liabilities</b>			
Payroll liabilities	\$ 718,020	\$ -	\$ 718,020
Other liabilities	91,200	-	91,200
Current liabilities	809,220	-	809,220
Fund Balance			
Assigned	-	10	10
Unassigned	8,141,171	-	8,141,171
Total Fund Balance	8,141,171	10	8,141,181
<b>Total Liabilities and Fund Balance</b>	<b>\$ 8,950,391</b>	<b>\$ 10</b>	<b>\$ 8,950,401</b>

See Notes to Basic Financial Statements.

**Northern Suburban Special Education District**

**Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position - Modified Cash Basis  
June 30, 2013**

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Total Fund Balances - Governmental Funds	\$ 8,141,181
Capital assets used in governmental activities do not require the expenditure of financial resources and therefore are not reported in governmental funds:	
Cost of capital assets	20,449,886
Accumulated depreciation	<u>(4,496,738)</u>
Net position of governmental activities	<u>\$ 24,094,329</u>

See Notes to Basic Financial Statements.



**Northern Suburban Special Education District**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis  
Governmental Funds  
Year Ended June 30, 2013**

	General Fund	Capital Projects Funds	Total
<b>Revenues:</b>			
Local	\$ 30,880,724	\$ -	\$ 30,880,724
State	6,821,954	-	6,821,954
Federal	8,698,200	-	8,698,200
<b>Total revenues</b>	<b>46,400,878</b>	<b>-</b>	<b>46,400,878</b>
<b>Expenditures:</b>			
Summer School	563,420	-	563,420
ECP - I Program	2,405,375	-	2,405,375
Local Education Agency (LEA) Services	3,998,290	-	3,998,290
Educational & Life Skills Program (ELS) - N	6,562,900	-	6,562,900
North Shore Academy	7,529,028	-	7,529,028
ELS - Transition	1,091,202	-	1,091,202
IDEA Flow - Through	6,091,986	-	6,091,986
LEA Contractual - DORS	8,891,265	-	8,891,265
Parent Mentor Program	53,336	-	53,336
Indirect Costs	7,419,215	-	7,419,215
<b>Total expenditures</b>	<b>44,606,017</b>	<b>-</b>	<b>44,606,017</b>
Net Change in Fund Balance	1,794,861	-	1,794,861
Fund Balances - Beginning of Year	6,346,310	10	6,346,320
Fund Balances - End of Year	<b>\$ 8,141,171</b>	<b>\$ 10</b>	<b>\$ 8,141,181</b>

See Notes to Basic Financial Statements.

**Northern Suburban Special Education District**

**Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities - Modified Cash Basis  
Year Ended June 30, 2013**

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Net Change in Fund Balances—Total Governmental Funds	\$ 1,794,861
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures paid while governmental activities report depreciation expense to allocate those expenditures over the lives of the assets. The is the amount by which depreciation exceeded capital outlays in the current period:

Capital Outlays:	90,373
Depreciation Expense	<u>(694,412)</u>

<b>Change in Net Position</b>	<b><u>\$ 1,190,822</u></b>
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See Notes to Basic Financial Statements.

**Northern Suburban Special Education District**

**Statement of Fiduciary Net Position - Modified Cash Basis**

**Fiduciary Funds**

**June 30, 2013**

	Student Activity Funds	LICA Dissolution Fund	Total
<b>Assets</b>			
Cash and investments (overdrafts)	\$ 50,186	\$ (11,149)	\$ 39,037
<b>Liabilities</b>			
Due to NSSED student groups	\$ 50,186	\$ -	\$ 50,186
Due to LICA creditors and other entities	-	(11,149)	(11,149)
<b>Total liabilities</b>	<b>\$ 50,186</b>	<b>\$ (11,149)</b>	<b>\$ 39,037</b>

See Notes to Basic Financial Statements.

## Northern Suburban Special Education District

### Notes to Basic Financial Statements

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#### **Note 1. Nature of Activities, Financial Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Significant Accounting Policies**

##### **Nature of Activities**

The Northern Suburban Special Education District is a joint agreement district authorized under Section 10-22.31 of the School Code of Illinois. The District is governed by provisions of the School Code of Illinois and the Articles of Agreement of Northern Suburban Special Education District as revised June 25, 1980 and further revised April 14, 2004. Under these Agreements, 18 local education districts are members of Northern Suburban Special Education District.

The District is under the direction of a Governing Board composed of a school board member from each of the member districts and is operated by an Executive Committee and Superintendent. The seven member Executive Committee is elected by the Governing Board and consists of Governing Board members and Superintendents of member districts.

Other districts may be admitted to membership upon the approval of and under conditions specified by a majority of the Governing Board. The purpose of the District is to oversee the special education programs described and mandated in Article 14 of the School Code. If additional mandatory categories are added to Article 14, the Northern Suburban Special Education District Governing Board shall determine whether they shall be included in the program it operates. Each member district may employ, at its own expense, such school psychologists, school social workers, and itinerant teachers as it deems necessary.

The accounting policies of the District conform to the modified cash basis of accounting, which is an other comprehensive basis of accounting as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Effective July 1, 2012, the District retrospectively adopted the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This guidance codified all FASB and AICPA accounting literature issued on or before November 30, 1989 which did not conflict with or contradict GASB guidance, directly into the GASB's authoritative literature. There were no significant effects on the basic financial statements as a result of the adoption of this standard.

The following is a summary of the more significant accounting policies:

##### **Financial Reporting Entity**

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- (1) Appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (2) Fiscal dependency on the primary government.

Based upon the application criteria, no component units have been included within the reporting entity.

## Northern Suburban Special Education District

### Notes to Basic Financial Statements

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#### Note 1. Nature of Activities, Financial Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Significant Accounting Policies (Continued)

##### Basis of Presentation

**Government-Wide Financial Statements (GWFS):** The government-wide Statement of Net Position and Statement of Activities – modified cash basis report the overall financial activity of the District. Eliminations have been made to minimize the double counting of internal activities of the District. The financial activities of the District consist of governmental activities, which are primarily supported by charges for services provided and intergovernmental revenues.

The Statement of Activities - modified cash basis demonstrates the degree to which the direct expenses of a given program (i.e., Summer school, ECP-I Program, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs (including fines and fees), and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

**Fund Financial Statements (FFS):** Separate financial statements are provided for governmental funds. The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The District has the following major governmental funds - General Fund and Capital Projects Fund. The District does not have any funds reported as nonmajor governmental funds.

The District administers the following major governmental funds:

**General Fund** – This is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**Capital Projects Fund** – Accounts for the resources accumulated and payments of expenditures related to capital project needs of the District.

##### Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

In addition, the District reports the following fund types:

Agency funds - used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Student Activity Fund  
LICA Dissolution Fund

As of June 30, 2013, the District is substantially complete with the LICA dissolution process. The negative fund balance of \$11,149 will be resolved through a transfer from the General Fund in fiscal year 2014.

## Northern Suburban Special Education District

### Notes to Basic Financial Statements

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#### **Note 1. Nature of Activities, Financial Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Significant Accounting Policies (Continued)**

##### ***Measurement Focus***

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) are reported within the limitations of the modified cash basis of accounting. Equity is classified as net position.

In the fund financial statements, the “current financial resources” measurement focus, as applied to the modified cash basis of accounting, is used. Under a “current financial resources” measurement focus, only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. The funds use fund balances as their measure of available spendable financial resources at the end of the period.

##### ***Basis of Accounting***

In the government-wide and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Teacher contracts expire on June 30<sup>th</sup> each year and payrolls are processed prior to year-end. Teacher payrolls and benefits are reported as disbursed at the time payrolls are processed regardless of the actual timing of payment. The balance of Cash and Investments at June 30, 2013 has been reduced by \$1,767,401 for year-end payroll and payroll related items at the time payrolls are processed.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting and all government-wide financials would be presented on the accrual basis of accounting.

## Northern Suburban Special Education District

### Notes to Financial Statements

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#### **Note 1. Nature of Activities, Financial Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Significant Accounting Policies (Continued)**

##### ***Significant Accounting Policies***

##### **Cash and Investments**

The District is allowed to invest in securities as authorized by the School Code of Illinois, Chapter 85, Sections 902 and 906: and Chapter 122, Section 8-7. In accordance with the District's investment and cash management policy the institutions in which investments are made must be approved by the Executive Committee of the Governing Board.

The District has adopted an investment policy that follows the state statute. That policy contains the following guidelines for allowable investments:

**Custodial Credit Risk:** Collateral is required for all investments of the District that are in excess of Federal Deposit Insurance Corporation coverage. The collateral must be on the District approved list of investments.

**Credit Risk and Concentration of Credit Risk:** It is the policy of the District to diversity its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting in over concentration in a specific maturity, issuer, or class of securities. There are exceptions for investments that are issued by the United States of America, its agencies and allowable instrumentalities, investments in the Illinois Public Treasurer's Investment Pool, or investments in the Illinois School District Liquid Asset Fund.

**Interest Rate Risk:** The District's investment policy states that for interest rate risk, the investment portfolio shall be designed with the objective of regularly exceeding the average return on U.S. Treasury bills for a given period of time.

PMA Financial Network, Inc. is the administrator for the Illinois School District Liquid Asset Fund (ISDLAF). The investment manager for ISDLAF is PMA Financial Network, Inc. The ISDLAF is not registered with the Securities and Exchange Commission, but invests its funds in accordance with applicable Illinois statutes. The ISDLAF has the characteristics of a mutual fund and accordingly, reports the value of its underlying assets at fair value, which is the price at which the investment could be exchanged in a current transaction between willing parties. At June 30, 2013, the District's share of the ISDLAF's assets was substantially equal to the amount reported in these statements.

##### **Capital Assets**

Capital assets which include land, buildings, transportation equipment and other equipment are reported in the Statement of Net Position. Capital assets are defined as assets with an initial individual cost of more than \$1,000, and an estimated useful life of greater than one year. Additions or improvements that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized in government-wide financial statements. Expenditures for asset acquisitions and improvements are stated as capital outlay expenditures in the governmental funds.

These assets have been valued at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at their estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

## Northern Suburban Special Education District

### Notes to Financial Statements

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#### Note 1. Nature of Activities, Financial Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Significant Accounting Policies (Continued)

##### **Significant Accounting Policies (Continued)**

Depreciation of capital assets is recorded in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

Land improvements	5 - 50 Years
Building and improvements	20 - 40 Years
Equipment, furniture, and fixtures	5 - 20 Years

##### **Compensated Absences**

The District's policy allows employees to earn varying amounts of vacation pay each year depending on the total number of years employed and the employee's position. Vacation pay is granted on July 1 of the ensuing year. Unused vacation days may be carried into the next year as long as the total cumulated days of vacation for any one year does not exceed 20 days. Any vacation days exceeding 20 days will be converted to sick days after the sixth month of the year in which they are compiled. At termination, any unused vacation days up to a maximum of 20 days will be paid to the employee.

The District's sick leave policy allows employees to earn and accumulate various amounts of sick leave depending on the total number of years employed and the employees' position. Upon satisfactory termination of employment, all accumulated sick pay is forfeited. Upon retirement, up to 240 accumulated sick days may be added as service credit to the IMRF retirement plan and 340 accumulated sick days may be added as service credit to the TRS retirement plan. The service credit is at no cost to the District; it is only reported to the IMRF and TRS as an increase in the employee's length of service. Accordingly, employee sick pay is recorded when paid.

##### **Net Position**

Effective July 1, 2012, the District adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This guidance amends net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District's government-wide net position is reported in three categories:

**Net investment in capital assets** consists of capital assets, net of accumulated depreciation. This balance would be shown net of related debt that is attributable to the acquisition, construction, or improvement of those assets if the District had any such outstanding debt.

**Restricted net position** result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net position** consists of net position that does not meet the criteria of the two preceding categories.



## Northern Suburban Special Education District

### Notes to Financial Statements

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#### Note 1. Nature of Activities, Financial Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Significant Accounting Policies (Continued)

##### Restricted Net Position

For the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either:

- Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;
- Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

##### Fund Balances

Within the governmental fund types, the District's fund balances are reported in one of the following classifications:

***Nonspendable*** – includes amounts that cannot be spent because they are either: a) not in spendable form; or b) legally or contractually required to be maintained intact. At June 30, 2013, the Cooperative has no nonspendable fund balance amounts.

***Restricted*** – includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, the District has \$10 of restricted fund balance for capital projects.

***Committed*** – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District's highest level of decision-making authority rests with the District's Board of Education. The District passes formal resolutions to commit their fund balances. As of June 30, 2013, the District has no committed fund balance.

***Assigned*** – includes amounts that are constrained by the District's *intent* to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by: a) the District's Board of Education itself; or b) a body or official to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. The District's Board of Education has not authorized any other body or official to assign amounts for a specific purpose within the General Fund. At June 30, 2013, the District has no assigned fund balances in the General Fund. Within the transportation fund resources are assigned in accordance with the established fund purpose and approved budget/appropriation. Residual fund balance in this fund that is not restricted or committed is reported as assigned.

***Unassigned*** – includes the residual fund balance that has not been restricted, committed, or assigned within the General Fund.

## Northern Suburban Special Education District

### Notes to Financial Statements

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#### **Note 1. Nature of Activities, Financial Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Significant Accounting Policies (Continued)**

##### ***Significant Accounting Policies (Continued)***

It is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for which both restricted and unrestricted (i.e. committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

##### **Use of Estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

##### **Net Position Restatement**

As of July 1, 2012, net position in the government-wide financial statements was increased in the amount of \$1,444,395 as a result of removing a previously recorded liability for other post-employment benefit obligations.

#### **Note 2. Budgets and Budgetary Information**

Annual budgets are adopted for all governmental fund types. The annual budgets are adopted on a basis consistent with the modified cash basis of accounting, which is another comprehensive basis of accounting at the fund level. All budgets lapse at fiscal year-end.

On or before July 1 of each year, the Superintendent is to submit for review by the Board of Education a proposed budget for the school year commencing on that date. After reviewing the proposed budget, the Board of Education holds public hearings and a final budget must be prepared and adopted no later than September 30.

The appropriated budget is prepared by fund and by function. The Board of Education may make transfers between functions within a fund not exceeding in the aggregate 10 percent of the total of such fund, and may amend the total budget following the same procedures required to adopt the original budget. The legal level of budgetary control is at the fund level. No supplemental budget was required and there were no transfers between functions during the year.

The General Fund over-expended its budget by \$1,349,774 for the year ended June 30, 2013.

## Northern Suburban Special Education District

### Notes to Financial Statements

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#### Note 3. Cash and Investments

##### Deposits and Investments

The District's deposits and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	\$ 8,783,538	\$ 12,965,237	Custodial Credit Risk
ISDLAF	203,800	203,800	Credit Risk, Interest Rate Risk
Petty cash	2,100	2,100	None
	<u>\$ 8,989,438</u>	<u>\$ 13,171,137</u>	
Reconciliation to financial statements			
Per statement of net position	\$ 8,950,401		
Per statement of fiduciary net position	39,037		
Total	<u>\$ 8,989,438</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction accounts.

Separate bank accounts are not maintained for all District programs; instead, certain programs maintain their uninvested cash balances in a common checking account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating program.

Occasionally, certain programs participating in the common account will incur overdrafts (deficits) in the account. The overdrafts result from expenditures which have been approved by the Executive Committee of the governing Board.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District.

As of June 30, 2013, none of the District's total demand deposits were exposed to custodial credit risk as all balances were either insured by FDIC or collateralized.

Credit Risk and Interest Rate Risk – Investments: Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment.

As of June 30, 2013, the District had \$203,800 invested in the ISDLAF that is rated AAA by Standard & Poor's. The average maturity date for investments held by the ISDLAF is 35 days, but funds are due to the District on demand.

**Northern Suburban Special Education District**

**Notes to Financial Statements**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 242,571	\$ -	\$ -	\$ 242,571
Total capital assets not being depreciated	242,571	-	-	242,571
<b>Capital Assets Being Depreciated:</b>				
Land improvements	413,299	-	-	413,299
Building and improvements	17,278,154	-	-	17,278,154
Furniture and equipment	2,425,489	90,373	-	2,515,862
Total capital assets being depreciated	20,116,942	90,373	-	20,207,315
Total capital assets	20,359,513	90,373	-	20,449,886
<b>Less: Accumulated Depreciation for:</b>				
Land improvements	(162,760)	(24,378)	-	(187,138)
Building and improvements	(2,374,230)	(375,777)	-	(2,750,007)
Furniture and equipment	(1,265,336)	(294,257)	-	(1,559,593)
Total accumulated depreciation	(3,802,326)	(694,412)	-	(4,496,738)
<b>Capital Assets Being Depreciated:</b>				
Net of depreciation	\$ 16,314,616	\$ (604,039)	\$ -	\$ 15,710,577
<b>Total Capital Assets</b>				
Net of depreciation	\$ 16,557,187	\$ (604,039)	\$ -	\$ 15,953,148

Depreciation expense of \$694,412 was charged to the District's indirect cost function.

## Northern Suburban Special Education District

### Notes to Financial Statements

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#### Note 5. Short-Term Obligations

Short-term obligations activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013	Due Within One year
Other liabilities	\$ -	\$ 91,200	\$ -	\$ 91,200	\$ 91,200
Total Short-Term Obligations	\$ -	\$ 91,200	\$ -	\$ 91,200	\$ 91,200

The obligations will be repaid from the General Fund.

#### Note 6. Operating Leases

The District leases building and office facilities under two separate non-cancelable operating leases. Monthly payments under terms of the leases range from \$7,600 to \$15,727 for the first years with increases ranging from the CPI to 5% for each year after. Length of the leases are 4 and 5 years, respectively, with the District having various renewal options. Total costs under these leases were \$260,362 for the year ended June 30, 2013. The future minimum lease obligations are as follows:

Year Ending June 30	
2014	\$ 279,918
2015	281,468
2016	287,130
2017	292,961
2018	206,217
Total	<u>\$ 1,347,694</u>

#### Note 7. Retirement Fund Commitments

##### Teachers' Retirement System of the State of Illinois

The District 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 outside the City of Chicago.

The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the System's administration.

TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2012 was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active members' contribution rate was also 9.4 percent for the years ended June 30, 2011 and 2010. The State of Illinois makes contributions directly to TRS on behalf of the District's TRS-covered employees.

## Northern Suburban Special Education District

### Notes to Financial Statements

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#### Note 7. Retirement Fund Commitments (Continued)

##### ***On-behalf contributions to TRS***

The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2013, the State of Illinois contributions were based on 28.05 percent of creditable earnings, and the District recognized revenue and expenditures of \$3,542,303 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2012 and June 30, 2011, the State of Illinois contribution rates as percentages of creditable earnings were 24.91 percent (\$2,844,865) and 23.10 percent (\$3,001,133), respectively.

The District makes three other types of employer contributions directly to TRS:

##### ***2.2 formula Contributions***

Employers contribute .58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2013 were \$77,827. Contributions for the years ended June 30, 2012 and 2011 were \$68,352 and \$86,908, respectively.

##### ***Federal and Trust Fund Contributions***

When TRS members are paid from federal and trust funds administered by the District, there is a statutory requirement for the District to pay an additional employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2013, the employer pension contribution was 28.05 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2012 and 2011, the employer pension contribution was 24.91 and 23.10 percent, respectively, of salaries paid from those funds. For the year ended June 30, 2013, no salaries were paid from federal and special trust funds that required employer contributions. For the years ended June 30, 2012 and 2011, required District contributions were \$5,106 and \$9,725, respectively.

##### ***Early Retirement Option (ERO)***

The District is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member. The maximum employer ERO contribution is 117.5 percent and applies when the member is age 55 at retirement.

For the year ended June 30, 2013, the District was required to make contributions of \$90,444 under the ERO program. For the years ended June 30, 2012 and 2011, the District was not required to make any employer contributions under the ERO program.

##### ***Salary increases over 6 percent and excess sick leave***

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

## Northern Suburban Special Education District

### Notes to Financial Statements

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#### Note 7. Retirement Fund Commitments (Continued)

For the years ended June 30, 2013, the District was required to contribute \$6,646 due to salary increase in excess of 6 percent. For the years ended June 30, 2012 and 2011, the District was not required to make payments due to salary increases in excess of 6 percent.

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

For the years ended June 30, 2013, 2012 and 2011, the District was not required to make payments due to sick leave days granted in the excess of the normal annual allotment.

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and state funding requirements, can be found in the TRS Comprehensive Annual Financial Report for the year ended June 30, 2011. The report for the year ended June 30, 2013 is expected to be available in late 2013. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, Illinois 62794-9253. The most current report is also available on the TRS web site at [www.trs.illinois.gov](http://www.trs.illinois.gov).

#### Teachers' Health Insurance Security Fund

The District participates in the Teachers' Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of Illinois public schoolteachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants may participate in the state administered participating provider option plan or choose from several managed care options.

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

## Northern Suburban Special Education District

### Notes to Financial Statements

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#### Note 7. Retirement Fund Commitments (Continued)

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

##### ***On-behalf contributions to THIS fund***

The State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to THIS Fund from active members which were .92 percent of pay during the year ended June 30, 2013. State of Illinois contributions were \$116,182, and the District recognized revenues and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2012 and June 30, 2011 were .88 percent, both years. State contributions on behalf of district employees were \$100,501 and \$113,656, respectively.

##### ***Employer contributions to THIS fund***

The District also makes contributions to THIS Fund. The District's THIS Fund contribution was .69 percent during the year ended June 30, 2013 and 0.66 percent during the years ended June 30, 2012 and June 30, 2011. For the year ended June 30, 2013, the District paid \$81,558 to the THIS Fund. For the years ended June 30, 2012 and June 30, 2011, the District paid \$75,376 and \$85,242 to the THIS fund, respectively, which was 100 percent of the required contribution.

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

#### Illinois Municipal Retirement Fund

Defined Benefit Pension Plan-An Agent-Multiple-Employer PERS: For purposes of reporting, the Illinois Municipal Retirement (IMRF) treats the Low Incidence Cooperative Agreement (LICA) and the Northern Suburban Special Education District (NSSSED) as a single employer. Accordingly, the information presented below is for LICA and NSSSED combined.

*Plan Description.* The District'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 District's plan is affiliated with the Illinois Municipal Retirement (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

Information related to employer's contributions and three-year trend information is on a fiscal year basis. The actuarial information and schedule of funding progress are on a calendar year basis as that is the year end used by IMRF.

*Funding Policy.* As set by statute, District employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The statute requires the District to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's contribution rate for calendar years 2013 and 2012 was 12.26 and 11.72 percent of annual covered payroll, respectively. The District also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.



**Northern Suburban Special Education District**

**Notes to Financial Statements**

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**Note 7. Retirement Fund Commitments (Continued)**

Annual Pension Cost. The required contribution for fiscal year 2013 was \$1,331,41 which was equal to the actual contributions.

Three-Year Trend Information for the Regular Plan

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 1,331,451	100%	\$ -
June 30, 2012	1,289,309	100%	-
June 30, 2011	1,276,931	100%	-

The required contribution for 2013 was determined as part of the December 31, 2010, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2010 included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The employer Regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open 10 year basis.

Funded Status and Funding Progress - As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 83.12 percent funded. The actuarial accrued liability for benefits was \$21,073,309 and the actuarial value of assets was \$17,516,970, resulting in an underfunded actuarial accrued liability (UAAL) of \$3,556,339. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$11,085,868 and the ratio of the UAAL to the covered payroll was 32 percent.

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.

## Northern Suburban Special Education District

### Notes to Financial Statements

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#### **Note 8. Risk Management**

The District is exposed to various risks of loss related to workers' compensation claims; theft of, damage to and destruction of assets; and natural disasters. To protect from workers' compensation risks, the District participates in the following public entity risk pool: School Employee Loss Fund (SELF). The District pays annual premiums to the pool for insurance coverage. The arrangements with the pool provide that it will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain levels established by the pools. There have been no significant reductions in insurance coverage from coverage in any of the past three fiscal years.

The District carries commercial insurance for all other risks of loss, including employee health benefits, general liability, torts and professional liability insurance. Premiums have been recorded as expenditures in the General Fund. There have been no significant reductions in insurance coverage from coverage in the prior years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **Note 9. Commitments and Contingencies**

From time to time, the District becomes party to claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District's attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

#### **Note 10. Postemployment Healthcare Plan**

##### Other Post-Employment Benefits

The District administers a single-employer defined benefit healthcare plan. The plan provides health insurance contributions for eligible retirees through the District's group health insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements and state that eligible retirees and their spouses receive healthcare insurance at established contribution rates for five years. The Retiree Health Plan does not issue a publicly available financial report.

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the board and the union. The District's funding policy is to provide annual contributions on a pay-as-you-go basis. Teachers and administrative staff that have been employed at the District for a minimum of 10 years and are 55 or older may voluntarily retire and receive extended health insurance benefits. The benefits vary based on the retiree's position. For fiscal year 2013, the District contributed \$112,122 to the plan.

## Northern Suburban Special Education District

### Notes to Financial Statements

#### Note 10. Postemployment Healthcare Plan (Continued)

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation plan:

Annual Required Contribution	<u>\$ 219,388</u>
Annual required contribution	219,388
Interest on net OPEB obligation	69,563
Adjustment to annual retired contribution	<u>(176,830)</u>
Annual OPEB cost	42,558
Contributions Made	<u>112,122</u>
Decrease in net OPEB obligation	<u>(69,564)</u>
Net OPEB Obligation - beginning of year	<u>1,444,395</u>
Net OPEB Obligation - end of year	<u><u>\$ 1,374,831</u></u>

Since the net OPEB obligation is not the result of a cash transaction, the modified cash basis of accounting does not allow for the net OPEB obligation to be recorded as a liability on the government-wide financial statements.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years 2011-2013 is as follows:

Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 42,558	263%	\$ 1,374,831
June 30, 2012	419,211	15%	1,444,395
June 30, 2011	385,818	26%	1,086,464

As of July 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$2,977,400 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,977,400. The covered payroll (annual payroll of active employees covered by the plan) was \$18,351,572 when the study was completed. The ratio of UAAL to covered payroll was 17%.

## Northern Suburban Special Education District

### Notes to Financial Statements

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#### Note 10. Postemployment Healthcare Plan (Continued)

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and 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 that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio, and an annual healthcare cost trend rate of 5 percent initially, reduced by decrements to a rate of 4 percent after two years. The actuarial value of the plan assets was not determined because there were no plan assets as of the date of the actuarial valuation. The plan's unfunded actuarial liability is being amortized using the level dollar amortization method. The remaining amortization period at June 30, 2013 was 30 years.

#### Note 11. Functional Expenditures Allocations

As described in Note 1, revenues and expenditures are presented by District program. Expenditures presented by function, as reported to the Illinois State Board of Education, are as follows:

	Actual	Budget
Special education programs	\$ 16,485,418	\$ 16,036,146
Interscholastic programs	1,279,418	1,118,733
Summer school programs	563,420	611,213
Pupil support services	7,822,854	8,002,491
Instructional staff support services	916,657	964,311
General administration	2,824,540	2,780,224
School administration	1,231,238	1,237,304
Business support services	2,288,356	2,305,181
Central support services	1,268,237	1,350,473
Community services	167,157	156,164
Payments to other governments	6,091,986	5,693,304
Debt service	7,296	-
TRS on-behalf payments	3,659,440	3,001,133
	<u>\$ 44,606,017</u>	<u>\$ 43,256,677</u>

## Northern Suburban Special Education District

### Notes to Financial Statements

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#### **Note 12. Pronouncements Issued But Not Yet Adopted**

The following is a description of other GASB authoritative pronouncements, which have been issued but not yet adopted by the District.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the District beginning with its year ending June 30, 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, will be effective for the District beginning with its year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will be effective for the District beginning with its year ended June 30, 2015. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

The District's management has not yet determined the effect, if any, these Statements will have on the District's financial statements.

**Northern Suburban Special Education District**

**Detailed Schedule of Revenues - Modified Cash Basis  
Budget and Actual  
General Fund  
Year Ended June 30, 2013**

	Original and Final Budget	Actual	Variance With Final Budget
<b>Indirect Costs</b>			
Local	\$ 601,290	\$ 599,602	\$ (1,688)
State	3,238,339	4,129,599	891,260
Federal	2,847,861	2,389,923	(457,938)
Total Indirect Costs	<u>6,687,490</u>	<u>7,119,124</u>	<u>431,634</u>
<b>Summer School</b>			
Local	538,341	593,647	55,306
State	47,000	66,706	19,706
Total Summer School	<u>585,341</u>	<u>660,353</u>	<u>75,012</u>
<b>ECP - I Program</b>			
Local	1,948,800	2,426,483	477,683
State	119,407	167,533	48,126
Federal	181,761	382,159	200,398
Total ECP - I Program	<u>2,249,968</u>	<u>2,976,175</u>	<u>726,207</u>
<b>Local Education Agency Services</b>			
Local	3,883,706	3,919,943	36,237
State	204,998	293,520	88,522
Total Local Education Agency Services	<u>4,088,704</u>	<u>4,213,463</u>	<u>124,759</u>
<b>ELS - N</b>			
Local	6,128,183	6,252,645	124,462
State	475,426	645,460	170,034
Federal	20,000	74,855	54,855
Total ELS - N	<u>6,623,609</u>	<u>6,972,960</u>	<u>349,351</u>

See Independent Auditor's Report.

**Northern Suburban Special Education District**

**Detailed Schedule of Revenues - Modified Cash Basis  
Budget and Actual  
General Fund  
Year Ended June 30, 2013**

	Original and Final Budget	Actual	Variance With Final Budget
<b>North Shore Academy</b>			
Local	\$ 7,043,465	\$ 7,499,264	\$ 455,799
State	409,902	562,522	152,620
Federal	25,824	229,379	203,555
<b>Total North Shore Academy</b>	<b>7,479,191</b>	<b>8,291,165</b>	<b>811,974</b>
<b>ELS Transition</b>			
Local	1,064,937	1,083,875	18,938
State	70,498	95,711	25,213
Federal	-	15,999	15,999
<b>Total ELS Transition</b>	<b>1,135,435</b>	<b>1,195,585</b>	<b>44,151</b>
<b>IDEA Flow Through</b>			
Federal	5,693,304	5,529,154	(164,150)
<b>Contractual/DORS</b>			
Local	7,998,479	8,505,265	506,786
State	622,283	860,903	238,620
Federal	62,874	75,484	12,610
<b>Total Contractual/DORS</b>	<b>8,683,636</b>	<b>9,441,652</b>	<b>758,016</b>
<b>Parent Mentor Grant</b>			
Federal	30,000	1,247	(28,753)
<b>Total Parent Mentor Grant</b>	<b>30,000</b>	<b>1,247</b>	<b>(28,753)</b>
<b>Total Revenues - Modified Cash Basis</b>	<b>\$ 43,256,678</b>	<b>\$ 46,400,878</b>	<b>\$ 3,128,201</b>

See Independent Auditor's Report.

**Northern Suburban Special Education District**

**Detailed Schedule of Expenditures - Modified Cash Basis  
Budget and Actual  
General Fund  
Year Ended June 30, 2013**

	Original and Final Budget	Actual	Variance With Final Budget
<b>Indirect Costs</b>			
Salaries	\$ 2,593,686	\$ 2,601,134	\$ (7,448)
Employee benefits	4,067,097	4,751,367	(684,270)
Purchased services	685,895	670,342	15,553
Supplies and materials	153,600	197,092	(43,492)
Capital outlay	49,000	53,478	(4,478)
Other expenditures	-	7,590	(7,590)
Indirect cost distribution	(861,788)	(861,788)	-
<b>Total Indirect Costs</b>	<b>6,687,490</b>	<b>7,419,215</b>	<b>(731,725)</b>
<b>Summer School</b>			
Salaries	418,880	410,897	7,983
Employee benefits	48,017	34,322	13,695
Purchased services	111,770	112,590	(820)
Supplies and materials	6,674	5,611	1,063
<b>Total Summer School</b>	<b>585,341</b>	<b>563,420</b>	<b>21,921</b>
<b>ECP-I Program</b>			
Salaries	1,646,859	1,794,470	(147,611)
Employee benefits	419,947	449,932	(29,985)
Purchased services	62,822	60,619	2,203
Supplies and materials	27,900	24,703	3,197
Capital outlay	12,000	9,839	2,161
Other expenditures	14,900	272	14,628
Indirect cost distribution	65,540	65,540	-
<b>Total ECP-I Program</b>	<b>2,249,968</b>	<b>2,405,375</b>	<b>(155,407)</b>

See Independent Auditor's Report.



**Northern Suburban Special Education District**

**Detailed Schedule of Expenditures - Modified Cash Basis**

**Budget and Actual**

**General Fund**

**Year Ended June 30, 2013**

	Original and Final Budget	Actual	Variance With Final Budget
<b>Local Education Agency Services</b>			
Salaries	\$ 3,063,385	\$ 3,024,663	\$ 38,722
Employee benefits	783,479	754,195	29,284
Purchased services	78,826	63,910	14,916
Supplies and materials	17,325	13,713	3,612
Capital outlay	26,600	22,720	3,880
Other expenditures	104,636	104,636	-
Indirect cost distribution	14,453	14,453	-
Total Local Education Agency Services	4,088,704	3,998,290	90,414
<b>ELS - N</b>			
Salaries	4,888,878	4,870,990	17,888
Employee benefits	1,218,589	1,206,419	12,170
Purchased services	175,801	111,198	64,603
Supplies and materials	146,850	126,448	20,402
Capital outlay	50,000	53,292	(3,292)
Other expenditures	5,000	-	5,000
Indirect cost distribution	194,553	194,553	-
Total ELS - N	6,679,671	6,562,900	116,771
<b>North Shore Academy</b>			
Salaries	5,205,873	5,212,625	(6,752)
Employee benefits	1,350,937	1,358,721	(7,784)
Purchased services	472,640	444,622	28,018
Supplies and materials	204,900	260,475	(55,575)
Capital outlay	25,000	33,126	(8,126)
Other expenditures	2,000	1,618	382
Indirect cost distribution	217,841	217,841	-
Total North Shore Academy	7,479,191	7,529,028	(49,837)
<b>ELS Transition</b>			
Salaries	609,409	612,289	(2,880)
Employee benefits	205,705	196,048	9,657
Purchased services	208,021	181,684	26,337
Supplies and materials	21,800	30,428	(8,628)
Capital outlay	3,000	39,315	(36,315)
Indirect cost distribution	31,438	31,438	-
Total ELS Transition	1,079,373	1,091,202	(11,829)

See Independent Auditor's Report.

**Northern Suburban Special Education District**

**Detailed Schedule of Expenditures - Modified Cash Basis**

**Budget and Actual**

**General Fund**

**Year Ended June 30, 2013**

	Original and Final Budget	Actual	Variance With Final Budget
<hr/>			
IDEA Flow Through			
Payments to local agencies	\$ 5,693,304	\$ 6,091,986	\$ (398,682)
Total IDEA Flow Through	<u>5,693,304</u>	<u>6,091,986</u>	<u>(398,682)</u>
Contractual/DORS			
Salaries	5,612,690	5,872,696	(260,006)
Employee benefits	2,682,232	2,637,488	44,744
Purchased services	154,387	147,754	6,633
Supplies and materials	1,000	-	1,000
Payments to local agencies	233,327	233,327	-
Total Contractual/DORS	<u>8,683,636</u>	<u>8,891,265</u>	<u>(207,629)</u>
Parent Mentor Grant			
Salaries	29,565	29,566	(1)
Employee benefits	-	11,770	(11,770)
Purchased services	-	12,000	(12,000)
Supplies and materials	435	-	435
Total Parent Mentor Grant	<u>30,000</u>	<u>53,336</u>	<u>(23,771)</u>
Total Expenditures - Modified Cash Basis	<u>\$ 43,256,678</u>	<u>\$ 44,606,017</u>	<u>\$ (1,349,774)</u>

See Independent Auditor's Report.

**Northern Suburban Special Education District**

**Schedule of Funding Progress  
Illinois Municipal Retirement Fund  
Year Ended June 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
December 31, 2012	\$ 17,516,970	\$ 21,073,309	\$ 3,556,339	83.12%	\$ 11,085,868	32.08%
December 31, 2011	16,918,378	20,712,307	3,793,929	81.68%	11,173,279	33.96%
December 31, 2010	15,870,584	19,209,823	3,339,239	82.62%	11,611,076	28.76%

On a market value basis, the actuarial value of assets at December 31, 2012 is \$18,121,411. On a market basis the funded ratio would be 85.99%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the District. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

See Independent Auditor's Report.

**Northern Suburban Special Education District**

**Schedule of Funding Progress  
Postemployment Health Care Plan  
Year Ended June 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
<u>Postemployment Health Care Plan</u>						
July 1, 2012	\$ -	\$ 2,977,400	\$ 2,977,400	0%	\$ 18,351,572	17%
July 1, 2010	-	3,455,812	3,455,812	0%	21,225,982	16%
July 1, 2008	-	5,156,753	5,156,753	0%	24,870,450	21%

See Independent Auditor's Report.

Northern Suburban Special Education District

Combining Balance Sheet  
 Modified Cash Basis - Budget and Actual - By Individual Programs  
 Year Ended June 30, 2013

	Systems Support	Indirect Cost	Summer School	ELP Program	ECP - I Program	LEA Unit Billed ELS	Early Childhood/ Alternative	Rhonda After Residence
Current Assets								
Cash and investments (overdrafts)	\$ 947,496	\$ 1,698,591	\$ 758,781	\$ (334,758)	\$ 76,240	\$ (69,858)	\$ 600,973	\$ 160,202
Other assets	46,946	-	1,004	-	-	67	1,283	52
<b>Total assets</b>	<b>\$ 994,442</b>	<b>\$ 1,698,591</b>	<b>\$ 759,785</b>	<b>\$ (334,758)</b>	<b>\$ 76,240</b>	<b>\$ (69,791)</b>	<b>\$ 602,256</b>	<b>\$ 160,254</b>
Liabilities								
Payroll liabilities	\$ -	\$ 839,417	\$ -	\$ -	\$ 350	\$ -	\$ -	\$ -
Other liabilities	-	91,200	-	-	-	-	-	-
	-	930,617	-	-	350	-	-	-
Fund balances (deficit)								
Unassigned	994,442	767,974	759,785	(334,758)	75,890	(69,791)	602,256	160,254
<b>Total fund balances</b>	<b>994,442</b>	<b>767,974</b>	<b>759,785</b>	<b>(334,758)</b>	<b>75,890</b>	<b>(69,791)</b>	<b>602,256</b>	<b>160,254</b>
<b>Total liabilities and fund balance</b>	<b>\$ 994,442</b>	<b>\$ 1,698,591</b>	<b>\$ 759,785</b>	<b>\$ (334,758)</b>	<b>\$ 76,240</b>	<b>\$ (69,791)</b>	<b>\$ 602,256</b>	<b>\$ 160,254</b>

Northern Suburban Special Education District

Combining Balance Sheet  
 Modified Cash Basis - By Individual Programs (Continued)  
 Year Ended June 30, 2013

	LEA Services	ELS - N	Early Childhood	0 - 3 Program	North Shore Academy	ELS Unit Billed Transition	NSA Summer Program	IDEA Flow - Through
<b>Current Assets</b>								
Cash and investments (overdrafts)	\$ 943,448	\$ 1,982,585	\$ 397	\$ 7,118	\$ 1,416,820	\$ (251,780)	\$ 352	\$ (1,072,978)
Other assets	13,945	3,808	-	-	16,167	2,723	-	-
<b>Total assets</b>	<b>\$ 957,393</b>	<b>\$ 1,986,393</b>	<b>\$ 397</b>	<b>\$ 7,118</b>	<b>\$ 1,432,987</b>	<b>\$ (249,057)</b>	<b>\$ 352</b>	<b>\$ (1,072,978)</b>
<b>Liabilities</b>								
Payroll liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other liabilities	-	-	-	-	-	-	-	-
<b>Fund balances (deficit)</b>								
Unassigned	957,393	1,986,393	397	7,118	1,432,987	(249,057)	352	(1,072,978)
<b>Total fund balances</b>	<b>957,393</b>	<b>1,986,393</b>	<b>397</b>	<b>7,118</b>	<b>1,432,987</b>	<b>(249,057)</b>	<b>352</b>	<b>(1,072,978)</b>
<b>Total liabilities and fund balance</b>	<b>\$ 957,393</b>	<b>\$ 1,986,393</b>	<b>\$ 397</b>	<b>\$ 7,118</b>	<b>\$ 1,432,987</b>	<b>\$ (249,057)</b>	<b>\$ 352</b>	<b>\$ (1,072,978)</b>

Northern Suburban Special Education District

Combining Balance Sheet  
 Modified Cash Basis - By Individual Programs (Continued)  
 Year Ended June 30, 2013

	American Recovery & Reinvestment Act	LEA Contractual/ DORS	Professional Development Grant	ELS Transition Summer School	Parent Mentor Grant	Re- classifications	Total
<b>Current Assets</b>							
Cash and investments (overdrafts)	\$ 300,005	\$ 1,743,040	\$ 127,187	\$ (7,564)	\$ (75,906)	\$ -	\$ 8,950,391
Other assets	-	35,140	477	-	135	(121,747)	-
<b>Total assets</b>	<b>\$ 300,005</b>	<b>\$ 1,778,180</b>	<b>\$ 127,664</b>	<b>\$ (7,564)</b>	<b>\$ (75,771)</b>	<b>\$ (121,747)</b>	<b>\$ 8,950,391</b>
<b>Liabilities</b>							
Payroll liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (121,747)	\$ 718,020
Other liabilities	-	-	-	-	-	-	91,200
	-	-	-	-	-	(121,747)	809,220
<b>Fund balances (deficit)</b>							
Unassigned	300,005	1,778,180	127,664	(7,564)	(75,771)	-	8,141,171
<b>Total fund balances</b>	<b>300,005</b>	<b>1,778,180</b>	<b>127,664</b>	<b>(7,564)</b>	<b>(75,771)</b>	<b>-</b>	<b>8,141,171</b>
<b>Total liabilities and fund balance</b>	<b>\$ 300,005</b>	<b>\$ 1,778,180</b>	<b>\$ 127,664</b>	<b>\$ (7,564)</b>	<b>\$ (75,771)</b>	<b>\$ (121,747)</b>	<b>\$ 8,950,391</b>

**Northern Suburban Special Education District**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Modified Cash Basis - By Individual Programs  
Year Ended June 30, 2013**

	Systems Support	Indirect Cost	Summer School	ELP Program	ECP - I Program	LEA Unit Billed ELS	Early Childhood/ Alternative	Rhonda After Residence
<b>Revenues</b>								
Local	\$ -	\$ 599,602	\$ 593,647	\$ -	\$ 2,426,483	\$ -	\$ -	\$ -
State	-	4,129,599	66,706	-	167,533	-	-	-
Federal	-	2,389,923	-	-	382,159	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>7,119,124</b>	<b>660,353</b>	<b>-</b>	<b>2,976,175</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>								
Salaries	-	2,601,134	410,897	-	1,794,470	-	-	-
Employee benefits	-	4,751,367	34,322	-	449,932	-	-	-
Purchases services	-	670,342	112,590	-	60,619	-	-	-
Supplies and materials	-	197,092	5,611	-	24,703	-	-	-
Capital outlay	-	53,478	-	-	9,839	-	-	-
Debt service	-	-	-	-	-	-	-	-
Payments to local agencies	-	-	-	-	-	-	-	-
Other expenditures	-	7,590	-	-	272	-	-	-
Indirect cost distribution	-	(861,788)	-	-	65,540	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>7,419,215</b>	<b>563,420</b>	<b>-</b>	<b>2,405,375</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	-	(300,091)	96,933	-	570,800	-	-	-
Fund Balance (Deficit) - Beginning of Year	994,442	1,068,065	662,852	(334,758)	(494,910)	(69,791)	602,256	160,254
Fund Balance (Deficit) - End of Year	\$ 994,442	\$ 767,974	\$ 759,785	\$ (334,758)	\$ 75,890	\$ (69,791)	\$ 602,256	\$ 160,254



**Northern Suburban Special Education District**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Modified Cash Basis - By Individual Programs (Continued)  
Year Ended June 30, 2013**

	LEA Services	ELS - N	Early Childhood	0 - 3 Program	North Shore Academy	ELS Unit Billed Transition	NSA Summer Program	IDEA Flow - Through
<b>Revenues</b>								
Local	\$ 3,919,943	\$ 6,252,645	\$ -	\$ -	\$ 7,499,264	\$ 1,083,875	\$ -	\$ -
State	293,520	645,460	-	-	562,522	95,711	-	-
Federal	-	74,855	-	-	229,379	15,999	-	5,529,154
<b>Total revenues</b>	<b>4,213,463</b>	<b>6,972,960</b>	<b>-</b>	<b>-</b>	<b>8,291,165</b>	<b>1,195,585</b>	<b>-</b>	<b>5,529,154</b>
<b>Expenditures</b>								
Salaries	3,024,663	4,870,990	-	-	5,212,625	612,289	-	-
Employee benefits	754,195	1,206,419	-	-	1,358,721	196,048	-	-
Purchases services	63,910	111,198	-	-	444,622	181,684	-	-
Supplies and materials	13,713	126,448	-	-	260,475	30,428	-	-
Capital outlay	22,720	53,292	-	-	33,126	39,315	-	-
Debt service	-	-	-	-	-	-	-	-
Payments to local agencies	104,636	-	-	-	-	-	-	6,091,986
Other expenditures	-	-	-	-	1,618	-	-	-
Indirect cost distribution	14,453	194,553	-	-	217,841	31,438	-	-
<b>Total expenditures</b>	<b>3,998,290</b>	<b>6,562,900</b>	<b>-</b>	<b>-</b>	<b>7,529,028</b>	<b>1,091,202</b>	<b>-</b>	<b>6,091,986</b>
Excess (deficiency) of revenues over expenditures	215,173	410,060	-	-	762,137	104,383	-	(562,832)
Fund Balance (Deficit) - Beginning of Year	742,220	1,576,333	397	7,118	670,850	(353,440)	352	(510,146)
Fund Balance (Deficit) - End of Year	\$ 957,393	\$ 1,986,393	\$ 397	\$ 7,118	\$ 1,432,987	\$ (249,057)	\$ 352	\$ (1,072,978)

**Northern Suburban Special Education District**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Modified Cash Basis - By Individual Programs (Continued)  
Year Ended June 30, 2013**

	American Recovery & Reinvestment Act	LEA Contractual/ DORS	Professional Development Grant	ELS Transition Summer School	Parent Mentor Grant	Re- classifications	Total
<b>Revenues</b>							
Local	\$ -	\$ 8,505,265	\$ -	\$ -	\$ -	\$ -	\$ 30,880,724
State	-	860,903	-	-	-	-	6,821,954
Federal	-	75,484	-	-	1,247	-	8,698,200
<b>Total revenues</b>	-	9,441,652	-	-	1,247	-	46,400,878
<b>Expenditures</b>							
Salaries	-	5,872,696	-	-	29,566	-	24,429,330
Employee benefits	-	2,637,488	-	-	11,770	-	11,400,262
Purchases services	-	147,754	-	-	12,000	-	1,804,719
Supplies and materials	-	-	-	-	-	-	658,470
Capital outlay	-	-	-	-	-	-	211,770
Debt service	-	-	-	-	-	-	-
Payments to local agencies	-	-	-	-	-	-	6,196,622
Other expenditures	-	-	-	-	-	-	9,480
Indirect cost distribution	-	233,327	-	-	-	-	(104,636)
<b>Total expenditures</b>	-	8,891,265	-	-	53,336	-	44,606,017
Excess (deficiency) of revenues over expenditures	-	550,387	-	-	(52,089)	-	1,794,861
Fund Balance (Deficit) - Beginning of Year	300,005	1,227,793	127,664	(7,564)	(23,682)	-	6,346,310
Fund Balance (Deficit) - End of Year	\$ 300,005	\$ 1,778,180	\$ 127,664	\$ (7,564)	\$ (75,771)	\$ -	\$ 8,141,171