

Northern Suburban Special Education District

Financial Report
June 30, 2014

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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, 2014, 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, 2014, 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.

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 on the basis of accounting described in Note 1.

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
November 4, 2014

Northern Suburban Special Education District

**Statement of Net Position - Modified Cash Basis
June 30, 2014**

	Governmental Activities
<hr/>	
Assets	
Cash and investments	\$ 9,174,680
Capital assets not being depreciated	242,571
Capital assets being depreciated, net	15,299,014
Total assets	<u>24,716,265</u>
Liabilities	
Payroll and other liabilities	<u>1,171,496</u>
Net Position	
Net investment in capital assets	15,541,585
Unrestricted	8,003,184
Total net position	<u>\$ 23,544,769</u>

See Notes to Basic Financial Statements.

Northern Suburban Special Education District

Statement of Activities - Modified Cash Basis
Year Ended June 30, 2014

Programs	Expenses	Program Revenues		Changes in
		Charges for Services	Operating Grants and Contributions	Net Position
				Governmental Activities
Summer School	\$ 525,127	\$ 501,197	\$ 78,924	\$ 54,994
ECP - I Program	3,096,239	2,672,447	457,499	33,707
Local Education Agency (LEA) Services	4,240,976	3,762,651	388,435	(89,890)
Educational & Life Skills - Program (ELS) - N	6,040,658	5,124,868	780,844	(134,946)
North Shore Academy	7,763,841	7,256,944	727,249	220,352
ELS - Transition	930,842	1,014,722	91,168	175,048
IDEA Flow Through	5,955,712	-	5,971,919	16,207
LEA Contractual - DORS	8,143,964	6,937,955	1,149,361	(56,648)
TRS on-behalf contributions	4,588,600	-	4,588,600	-
Indirect costs	4,629,495	618,420	3,236,396	(774,679)
Total governmental activities	\$ 45,915,454	\$ 27,889,204	\$ 17,470,395	(555,855)
General revenues				
Investment income				6,295
Change in net position				(549,560)
Net position				
July 1, 2013				24,094,329
June 30, 2014				\$ 23,544,769

See Notes to Basic Financial Statements.

Northern Suburban Special Education District

Balance Sheet - Modified Cash Basis

Governmental Funds

June 30, 2014

	General Fund
<hr/>	
Assets	
Cash and investments	\$ 9,174,680
Total assets	<u>\$ 9,174,680</u>
Liabilities	
Payroll liabilities	<u>\$ 1,171,496</u>
Fund Balance	
Unassigned	<u>8,003,184</u>
Total Fund Balance	<u>8,003,184</u>
Total Liabilities and Fund Balance	<u>\$ 9,174,680</u>

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, 2014**

Total Fund Balances - Governmental Funds		\$ 8,003,184
Amounts reported for governmental activities in the statement of net position are different because:		
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	\$ 20,716,712	
Accumulated depreciation	(5,175,127)	15,541,585
		<hr/>
Net position of governmental activities		<u>\$ 23,544,769</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, 2014**

	General Fund	Capital Projects Funds	Total
Revenues:			
Local	\$ 27,895,509	\$ (10)	\$ 27,895,499
State	3,807,412	-	3,807,412
State on-behalf retirement contributions	4,588,600	-	4,588,600
Federal	9,074,383	-	9,074,383
Total revenues	<u>45,365,904</u>	<u>(10)</u>	<u>45,365,894</u>
Expenditures:			
Summer School	525,127	-	525,127
ECP - I Program	3,096,239	-	3,096,239
Local Education Agency (LEA) Services	4,240,976	-	4,240,976
Educational & Life Skills Program (ELS) - N	6,040,658	-	6,040,658
North Shore Academy	7,763,841	-	7,763,841
ELS - Transition	930,842	-	930,842
IDEA Flow - Through	5,955,712	-	5,955,712
LEA Contractual - DORS	8,143,964	-	8,143,964
Employee benefits, state on-behalf retirement contributions	4,588,600	-	4,588,600
Indirect Costs	4,217,932	-	4,217,932
Total expenditures	<u>45,503,891</u>	<u>-</u>	<u>45,503,891</u>
Net Change in Fund Balance	(137,987)	(10)	(137,997)
Fund Balances - Beginning of Year	<u>8,141,171</u>	<u>10</u>	<u>8,141,181</u>
Fund Balances - End of Year	<u>\$ 8,003,184</u>	<u>\$ -</u>	<u>\$ 8,003,184</u>

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, 2014**

Net Change in Fund Balances—total governmental funds \$ (137,997)

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. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital Outlays:	\$ 266,826	
Depreciation Expense	(678,389)	(411,563)

Change in Net Position \$ (549,560)

See Notes to Basic Financial Statements.

Northern Suburban Special Education District

Statement of Fiduciary Net Position - Modified Cash Basis

Fiduciary Funds

June 30, 2014

	Student Activity Funds
<hr/>	
Assets	
Cash and investments	<u>\$ 37,007</u>
Liabilities	
Due to NSSED student groups	<u>\$ 37,007</u>

See Notes to Basic Financial Statements.

Northern Suburban Special Education District

Notes to Basic Financial Statements

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 a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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 and the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Financial benefit or financial burden is created if any one of the following relationships exist:

- 1) The primary government is legally entitled to or has access to the component unit's resources.
- 2) The primary government is legally required or has assumed the obligation to finance the deficits of, or provide support to, the component unit.
- 3) The primary government is obligated in some manner for the other component unit's debt.

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

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 Net Position – modified cash basis presents the District’s non-fiduciary assets and liabilities arising out of cash transactions with the difference reported as net position.

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.

Fiduciary funds are excluded from the government-wide financial statements.

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. During the year ended June 30, 2014, the District closed the capital project fund as all capital projects accounted for in the fund were substantially complete.

In addition, the District reports the following fund type:

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. During the year ended June 30, 2014, the District administered the following agency fund:

Student Activity Fund

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.

Northern Suburban Special Education District

Notes to Basic Financial Statements

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, deferred inflows and outflows, 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 30th 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, 2014 has been reduced by \$2,471,006 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 Basic Financial Statements

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, 2014, 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 Basic Financial Statements

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 – modified cash basis with accumulated depreciation reflected in the Statement of Net Position – modified cash basis 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

The District's Statement of Net Position – modified cash basis presents the District's non-fiduciary assets and liabilities with the difference 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 - 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 - consists of net position that does not meet the criteria of the two preceding categories.

Northern Suburban Special Education District

Notes to Basic Financial Statements

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

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, 2014, the District 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, 2014, the District has 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, 2014, 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, 2014, the District has no assigned fund balances in the General Fund.

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 Basic Financial Statements

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.

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 \$968,686 for the year ended June 30, 2014.

Northern Suburban Special Education District

Notes to Basic Financial Statements

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	\$ 9,005,625	\$ 11,719,712	Custodial Credit Risk
ISDLAF	203,962	203,962	Credit Risk, Interest Rate Risk
Petty cash	2,100	2,100	None
	<u>\$ 9,211,687</u>	<u>\$ 11,925,774</u>	
Reconciliation to financial statements			
Per statement of net position	\$ 9,174,680		
Per statement of fiduciary net position	37,007		
Total	<u>\$ 9,211,687</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, 2014, 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, 2014, the District had \$203,962 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 Basic Financial Statements

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Capital Assets Not Being Depreciated:				
Land	\$ 242,571	\$ -	\$ -	\$ 242,571
Total capital assets not being depreciated	<u>242,571</u>	<u>-</u>	<u>-</u>	<u>242,571</u>
Capital Assets Being Depreciated:				
Land improvements	413,299	85,376	-	498,675
Building and improvements	17,278,154	-	-	17,278,154
Furniture and equipment	2,515,862	181,450	-	2,697,312
Total capital assets being depreciated	<u>20,207,315</u>	<u>266,826</u>	<u>-</u>	<u>20,474,141</u>
Total capital assets	<u>20,449,886</u>	<u>266,826</u>	<u>-</u>	<u>20,716,712</u>
Less: Accumulated Depreciation for:				
Land improvements	(187,138)	(24,078)	-	(211,216)
Building and improvements	(2,750,007)	(375,584)	-	(3,125,591)
Furniture and equipment	(1,559,593)	(278,727)	-	(1,838,320)
Total accumulated depreciation	<u>(4,496,738)</u>	<u>(678,389)</u>	<u>-</u>	<u>(5,175,127)</u>
Capital Assets Being Depreciated: Net of depreciation	<u>\$ 15,710,577</u>	<u>\$ (411,563)</u>	<u>\$ -</u>	<u>\$ 15,299,014</u>
Total Capital Assets Net of depreciation	<u>\$ 15,953,148</u>	<u>\$ (411,563)</u>	<u>\$ -</u>	<u>\$ 15,541,585</u>

Depreciation expense of \$678,389 was charged to the District's indirect cost function.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 5. 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 percent for each year after. Lengths 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, 2014. The future minimum lease obligations are as follows:

Year Ending June 30	
2015	\$ 281,468
2016	287,130
2017	292,961
2018	206,217
Total	<u>\$ 1,067,776</u>

Note 6. 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 licensure is required. The active member contribution rate through June 30, 2014 was 9.4 percent of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the District. The active members' contribution rate was also 9.4 percent for the years ended June 30, 2013 and 2012.

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 Basic Financial Statements

Note 6. 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, 2014, the State of Illinois contributions were based on 35.41 percent of creditable earnings, and the District recognized revenue and expenditures of \$4,466,255 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2013 and June 30, 2012, the State of Illinois contribution rates as percentages of creditable earnings were 28.05 percent (\$3,542,303) and 24.91 percent (\$2,844,865), 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, 2014 were \$73,155. Contributions for the years ended June 30, 2013 and 2012 were \$77,827 and \$68,352, 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. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2014, the employer pension contribution was 35.41 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2013 and 2012, the employer pension contribution was 28.05 and 24.91 percent, respectively, of salaries paid from those funds. For the year ended June 30, 2014, no salaries were paid from federal and special trust funds that required employer contributions. For the years ended June 30, 2013 and 2012, required District contributions were \$0 and \$5,106, 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 146.5 percent and applies when the member is age 55 at retirement.

For the year ended June 30, 2014, the District was not required to make contributions. For the years ended June 30, 2013 and 2012, 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 Basic Financial Statements

Note 6. Retirement Fund Commitments (Continued)

For the years ended June 30, 2014, the District was not required to make contributions due to salary increase in excess of 6 percent. For the years ended June 30, 2013 and 2012, the District paid \$6,466 and \$0, respectively.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary rate reported by granting employer during the four year sick leave review period, and the TRS total normal cost rate (17.29 percent of salary during the year ended June 30, 2014).

For the years ended June 30, 2014, 2013 and 2012, 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, 2012. The report for the year ended June 30, 2014 is expected to be available in late 2014.

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.

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 it does not provide vision, dental, or life insurance benefits to annuitants of the TRS. Annuitants not enrolled in Medicare may participate in the Stated administered participating provider option plan or choose from several managed care options. Beginning February 1, 2014, annuitants who were enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage Plans.

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

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 6. 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 0.97 percent of pay during the year ended June 30, 2014. State of Illinois contributions were \$122,345, 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, 2013 and June 30, 2012 were 0.92 and 0.88 percent, respectively. State contributions on behalf of District employees were \$116,182 and \$100,501, respectively.

Employer contributions to THIS fund

The District also makes contributions to THIS Fund. The District's THIS Fund contribution was 0.72 percent during the year ended June 30, 2014 and 0.69 and 0.66 percent during the years ended June 30, 2013 and June 30, 2012. For the year ended June 30, 2014, the District paid \$90,813 to the THIS Fund. For the years ended June 30, 2013 and June 30, 2012, the District paid \$81,558 and \$75,376 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.

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, the District regular plan members 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 2014 and 2013 was 12.26 percent, respectively, of annual covered payroll for both years. 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 Basic Financial Statements

Note 6. Retirement Fund Commitments (Continued)

Annual Pension Cost. The required contribution for fiscal year 2014 was \$1,299,555 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, 2014	\$ 1,299,555	100%	\$ -
June 30, 2013	1,331,451	100%	-
June 30, 2012	1,289,309	100%	-

The required contribution for 2013 was determined as part of the December 31, 2011, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2011 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, 2013, the most recent actuarial valuation date, the Regular plan was 87.29 percent funded. The actuarial accrued liability for benefits was \$22,943,135 and the actuarial value of assets was \$20,027,735, resulting in an underfunded actuarial accrued liability (UAAL) of \$2,915,400. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$11,089,289, and the ratio of the UAAL to the covered payroll was 26 percent.

The schedule of funding progress presented as required supplementary information following the notes to the basic 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 Basic Financial Statements

Note 7. 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: Collective Liability Insurance Cooperative (CLIC). 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 8. 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 9. Postemployment Healthcare Plan

(a) Plan Description

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. Under the current agreement, 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. 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 benefits vary based on the retiree's position. The Retiree Health Plan does not issue a publicly available financial report.

(b) Funding Status, Policy and Contributions

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. At June 30, 2014, the plan was unfunded. The estimated amount of the unfunded accrued liability has not been determined.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 9. Postemployment Healthcare Plan (Continued)

Since the District's financial statements have been prepared using a modified cash basis of accounting as discussed in Note 1, only contributions made to the OPEB plan are recorded as expense in the financial statements.

The District has not engaged an actuary to determine the *annual required contribution* (ARC) to the OPEB plan. The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement 45 that 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 30 years.

Additionally, since the net OPEB obligation does not arise out of a cash transaction, it is not recorded in the accompanying financial statements. The amount of the net OPEB obligation has not been determined.

Note 10. 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	\$ 15,404,606	\$ 18,002,000
Career and technical - vocational services	1,341,031	1,217,451
Summer school programs	1,024,901	1,136,116
Pupil support services	7,816,350	7,198,157
Instructional staff support services	1,194,764	1,094,952
General administration	2,795,937	2,630,051
School administration	1,251,720	1,007,270
Business support services	2,698,388	2,205,780
Central support services	1,254,004	1,270,057
Community services	168,414	172,583
Payments to other governments	5,965,176	5,599,655
TRS on-behalf payments	4,588,600	3,001,133
	<u>\$ 45,503,891</u>	<u>\$ 44,535,205</u>

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 11. 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. 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).

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, will be effective for the District beginning with its year ending June 30, 2015, and should be applied on a prospective basis. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, will be effective for the District beginning with its year ending June 30, 2016. This Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual basis of financial statements of employers and nonemployer contributing entities.

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, 2014**

	Original and Final Budget	Actual	Variance With Final Budget
Indirect Costs			
Local	\$ 613,590	\$ 624,725	\$ 11,135
State	234,695	534,202	299,507
Federal	2,877,852	2,702,194	(175,658)
Total Indirect Costs	<u>3,726,137</u>	<u>3,861,121</u>	<u>134,984</u>
Summer School			
Local	592,692	501,197	(91,495)
State	47,000	78,924	31,924
Total Summer School	<u>639,692</u>	<u>580,121</u>	<u>(59,571)</u>
ECP - I Program			
Local	2,873,884	2,672,447	(201,437)
State	127,688	211,623	83,935
Federal	96,480	245,876	149,396
Total ECP - I Program	<u>3,098,052</u>	<u>3,129,946</u>	<u>31,894</u>
Local Education Agency Services			
Local	4,270,979	3,762,651	(508,328)
State	237,938	388,435	150,497
Total Local Education Agency Services	<u>4,508,917</u>	<u>4,151,086</u>	<u>(357,831)</u>
ELS - N			
Local	5,573,758	5,124,868	(448,890)
State	462,375	780,844	318,469
Total ELS - N	<u>6,036,133</u>	<u>5,905,712</u>	<u>(130,421)</u>

See Independent Auditor's Report.

(continued)

Northern Suburban Special Education District

Detailed Schedule of Revenues - Modified Cash Basis (continued)
Budget and Actual
General Fund
Year Ended June 30, 2014

	Original and Final Budget	Actual	Variance With Final Budget
North Shore Academy			
Local	\$ 7,504,857	\$ 7,256,944	\$ (247,913)
State	422,473	704,789	282,316
Federal	17,228	22,460	5,232
Total North Shore Academy	<u>7,944,558</u>	<u>7,984,193</u>	<u>39,635</u>
ELS Transition			
Local	1,063,683	1,014,722	(48,961)
State	50,213	91,168	40,955
Total ELS Transition	<u>1,113,896</u>	<u>1,105,890</u>	<u>(8,006)</u>
IDEA Flow Through			
Federal	<u>5,599,655</u>	<u>5,971,919</u>	<u>372,264</u>
Total IDEA Flow Through	<u>5,599,655</u>	<u>5,971,919</u>	<u>372,264</u>
Contractual/DORS			
Local	8,063,205	6,937,955	(1,125,250)
State	601,760	1,017,427	415,667
Federal	202,067	131,934	(70,133)
Total Contractual/DORS	<u>8,867,032</u>	<u>8,087,316</u>	<u>(779,716)</u>
TRS On-Behalf Contributions			
State on-behalf retirement contributions	<u>3,001,133</u>	<u>4,588,600</u>	<u>1,587,467</u>
Total Revenues - Modified Cash Basis	<u>\$ 44,535,205</u>	<u>\$ 45,365,904</u>	<u>\$ (756,768)</u>

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, 2014**

	Original and Final Budget	Actual	Variance With Final Budget
Indirect Costs			
Salaries	\$ 2,628,912	\$ 2,648,563	\$ (19,651)
Employee benefits	1,076,559	1,065,454	11,105
Purchased services	734,215	938,065	(203,850)
Supplies and materials	130,700	114,725	15,975
Capital outlay	34,500	320,410	(285,910)
Other expenditures	-	9,464	(9,464)
Indirect cost distribution	(878,749)	(878,749)	-
Total Indirect Costs	<u>3,726,137</u>	<u>4,217,932</u>	<u>(491,795)</u>
Summer School			
Salaries	462,074	470,687	(8,613)
Employee benefits	53,683	39,456	14,227
Purchased services	115,300	10,446	104,854
Supplies and materials	8,635	4,538	4,097
Total Summer School	<u>639,692</u>	<u>525,127</u>	<u>114,565</u>
ECP-I Program			
Salaries	2,264,459	2,340,918	(76,459)
Employee benefits	605,769	565,914	39,855
Purchased services	90,090	66,505	23,585
Supplies and materials	30,100	19,254	10,846
Capital outlay	17,000	13,222	3,778
Other expenditures	400	192	208
Indirect cost distribution	90,234	90,234	-
Total ECP-I Program	<u>3,098,052</u>	<u>3,096,239</u>	<u>1,813</u>

See Independent Auditor's Report.

(continued)

Northern Suburban Special Education District

Detailed Schedule of Expenditures - Modified Cash Basis (continued)

Budget and Actual

General Fund

Year Ended June 30, 2014

	Original and Final Budget	Actual	Variance With Final Budget
Local Education Agency Services			
Salaries	\$ 3,354,496	\$ 3,189,717	\$ 164,779
Employee benefits	878,560	731,512	147,048
Purchased services	92,007	152,493	(60,486)
Supplies and materials	27,825	15,038	12,787
Capital outlay	24,700	20,887	3,813
Indirect cost distribution	131,329	131,329	-
Total Local Education Agency Services	4,508,917	4,240,976	267,941
ELS - N			
Salaries	4,615,977	4,517,984	97,993
Employee benefits	1,133,582	1,093,629	39,953
Purchased services	147,344	124,117	23,227
Supplies and materials	106,645	76,807	29,838
Capital outlay	35,000	46,749	(11,749)
Other expenditures	7,200	-	7,200
Indirect cost distribution	181,372	181,372	-
Total ELS - N	6,227,120	6,040,658	186,462
North Shore Academy			
Salaries	5,461,942	5,369,726	92,216
Employee benefits	1,459,475	1,370,798	88,677
Purchased services	538,571	472,502	66,069
Supplies and materials	226,175	258,373	(32,198)
Capital outlay	25,000	53,443	(28,443)
Other expenditures	2,000	7,604	(5,604)
Indirect cost distribution	231,395	231,395	-
Total North Shore Academy	7,944,558	7,763,841	180,717
ELS Transition			
Salaries	575,414	558,794	16,620
Employee benefits	181,985	170,178	11,807
Purchased services	123,175	157,034	(33,859)
Supplies and materials	12,454	16,558	(4,104)
Capital outlay	3,000	1,397	1,603
Indirect cost distribution	26,881	26,881	-
Total ELS Transition	922,909	930,842	(7,933)

See Independent Auditor's Report.

(continued)

Northern Suburban Special Education District

Detailed Schedule of Expenditures - Modified Cash Basis (continued)

Budget and Actual

General Fund

Year Ended June 30, 2014

	Original and Final Budget	Actual	Variance With Final Budget
<hr/>			
IDEA Flow Through			
Payments to local agencies	\$ 5,599,655	\$ 5,955,712	\$ (356,057)
Total IDEA Flow Through	<u>5,599,655</u>	<u>5,955,712</u>	<u>(356,057)</u>
Contractual/DORS			
Salaries	5,749,965	5,342,877	407,088
Employee benefits	2,744,538	2,310,275	434,263
Purchased services	154,991	191,529	(36,538)
Other objects	-	81,745	(81,745)
Indirect cost contribution	217,538	217,538	-
Total Contractual/DORS	<u>8,867,032</u>	<u>8,143,964</u>	<u>723,068</u>
TRS On-Behalf Contributions			
Employee benefits, state on-behalf retirement contributions	<u>3,001,133</u>	<u>4,588,600</u>	<u>(1,587,467)</u>
Total Expenditures - Modified Cash Basis	<u>\$ 44,535,205</u>	<u>\$ 45,503,891</u>	<u>\$ (968,686)</u>

See Independent Auditor's Report.

Northern Suburban Special Education District

**Combining Schedule of Revenues and Expenditures
Modified Cash Basis - By Individual Programs
Year Ended June 30, 2014**

	Indirect Cost	Summer School	ECP - I Program	LEA Services	ELS - N	North Shore Academy
Revenues						
Local	\$ 624,725	\$ 501,197	\$ 2,672,447	\$ 3,762,651	\$ 5,124,868	\$ 7,256,944
State	534,202	78,924	211,623	388,435	780,844	704,789
State on-behalf retirement contributions	-	-	-	-	-	-
Federal	2,702,194	-	245,876	-	-	22,460
Total revenues	3,861,121	580,121	3,129,946	4,151,086	5,905,712	7,984,193
Expenditures						
Salaries	2,648,563	470,687	2,340,918	3,189,717	4,517,984	5,369,726
Employee benefits	1,065,454	39,456	565,914	731,512	1,093,629	1,370,798
Employee benefits, state on-behalf retirement contributions	-	-	-	-	-	-
Purchases services	938,065	10,446	66,505	152,493	124,117	472,502
Supplies and materials	114,725	4,538	19,254	15,038	76,807	258,373
Capital outlay	320,410	-	13,222	20,887	46,749	53,443
Payments to local agencies	-	-	-	-	-	-
Other expenditures	9,464	-	192	-	-	7,604
Indirect cost distribution	(878,749)	-	90,234	131,329	181,372	231,395
Total expenditures	4,217,932	525,127	3,096,239	4,240,976	6,040,658	7,763,841
Excess (deficiency) of revenues over expenditures	\$ (356,811)	\$ 54,994	\$ 33,707	\$ (89,890)	\$ (134,946)	\$ 220,352

(continued)

Northern Suburban Special Education District

**Combining Schedule of Revenues and Expenditures
Modified Cash Basis - By Individual Programs (Continued)
Year Ended June 30, 2014**

	ELS Transition	IDEA Flow - Through	LEA Contractual/ DORS	TRS On-Behalf Payments	Re- classifications	Total
Revenues						
Local	\$ 1,014,722	\$ -	\$ 6,937,955	\$ -	\$ -	\$ 27,895,509
State	91,168	-	1,017,427	-	-	3,807,412
State on-behalf retirement contributions	-	-	-	4,588,600	-	4,588,600
Federal	-	5,971,919	131,934	-	-	9,074,383
Total revenues	1,105,890	5,971,919	8,087,316	4,588,600	-	45,365,904
Expenditures						
Salaries	558,794	-	5,342,877	-	-	24,439,266
Employee benefits	170,178	-	2,310,275	-	-	7,347,216
Employee benefits, state on-behalf retirement contributions	-	-	-	4,588,600	-	4,588,600
Purchases services	157,034	-	191,529	-	-	2,112,691
Supplies and materials	16,558	-	-	-	-	505,293
Capital outlay	1,397	-	-	-	-	456,108
Payments to local agencies	-	5,955,712	-	-	-	5,955,712
Other expenditures	-	-	81,745	-	-	99,005
Indirect cost distribution	26,881	-	217,538	-	-	-
Total expenditures	930,842	5,955,712	8,143,964	4,588,600	-	45,503,891
Excess (deficiency) of revenues over expenditures	\$ 175,048	\$ 16,207	\$ (56,648)	\$ -	\$ -	\$ (137,987)

Northern Suburban Special Education District

**Schedule of Funding Progress
Illinois Municipal Retirement Fund
Year Ended June 30, 2014**

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, 2013	\$ 20,027,735	\$ 22,943,135	\$ 2,915,400	87.29%	\$ 11,089,289	26.29%
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%

On a market value basis, the actuarial value of assets at December 31, 2013 is \$23,330,539. On a market basis the funded ratio would be 101.69%.

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.