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## Comprehensive Annual Financial Report

For the fiscal year ended  
June 30, 2011

*“The mission of North Shore School District 112, a community partnership committed to a world-class education, is to nurture every child to become an inspired learner, a well-rounded individual and contributing member of a global community by striving for excellence within an environment that fosters innovation, respect, engagement and intellectual inquiry.”*

North Shore School District 112  
Highland Park, Illinois

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011

Prepared by:

Mohsin Dada  
Chief Financial Officer

North Shore School District 112  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2011

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## INTRODUCTORY SECTION



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January 20, 2012

President and Members of the Board of Education  
North Shore School District 112  
Highland Park, IL 60035

The Comprehensive Annual Financial Report (CAFR) of North Shore School District 112 (District 112), Highland Park, Illinois, for the fiscal year ended June 30, 2011, is attached. The report was prepared by the Chief Financial Officer. The report date on the underlying financial statements is January 20, 2012, and an unqualified auditors' opinion on the financial statements has been issued.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the District's organizational chart, and a list of principal officials. The financial section includes Management's Discussion and Analysis (MD&A) of the District's financial performance for the year, the basic financial statements, and the fund financial statements and schedules, as well as the auditors' report on the financial statements and schedules. The statistical section includes selected unaudited financial and demographic information, generally presented on a multiyear basis.

The District includes all funds that are controlled by or dependent on the Board of Education of the District, as determined on a basis of financial accountability. The District does not have such financial accountability over any other entity, and, thus, does not include any other entity as a component unit in this report. Additionally, the District is an independent entity, not includable as a component unit of any other reporting entity.

The Board of Education of North Shore School District 112, Lake County, Illinois, provides educational instruction to children residing in the City of Highland Park, the City of Highwood, and Fort Sheridan. The District's operations are funded primarily through local property taxes. The District operates under guidelines and restrictions set forth in the School Code of Illinois and various federal statutes.

The District was organized on July 1, 1993, and is governed by an elected seven-member Board of Education. The District maintains grades kindergarten through eighth in eight elementary school buildings and three middle school buildings. Pre-kindergarten and certain special education programs are also provided in the District's administrative building. Students leaving the District at the end of eighth grade attend Township High School District 113 (District 113). Currently, 97% of District 113 students graduate, most of which attend post-secondary schools. District 113 levies its own local property tax and files its tax levy with the Lake County Clerk.

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*The mission of North Shore School District 112,  
a community partnership committed to a world-class education, is to nurture every child to become an inspired learner,  
a well-rounded individual and contributing member of a global community by striving for excellence within  
an environment that fosters innovation, respect, engagement and intellectual inquiry.*

The District has complete responsibility for the preparation and modification of its annual budget and is solely accountable for its fiscal matters, including surpluses and deficits, assignments of management, and issuance of debt.

Enrollment for the fiscal year ended June 30, 2011, as submitted to the Illinois State Board of Education in the End of Year Report (*ISBE 87-04*), was 4,486, down from 4,589 in the previous year. This decrease of 103 students from the previous year, or 2.2%, is primarily due to an anticipated general declining trend in student enrollment for the year. This effect takes into account birth trends, household demographics and the fluctuating enrollment generated from military housing in the Fort Sheridan Navy base. Absent a growth spurt related to the completion of the new military housing in fiscal 2009, typically the District has experienced minor annual or aggregate volatility in enrollment over the previous ten years. The enrollment in fiscal 2001 was 4,435, compared to 4,486 in fiscal 2011. Generally the movements in recent years, other than the approximate 200 student growth related to the military housing development, are due to housing turnover and rebuilt facilities that accommodate fewer children. Other than the Fort Sheridan development and rebuilt homes on existing property sites, there is minimal new development in the District.

Over the next year, the District does not expect enrollment fluctuation from its Fort Sheridan location or any other District location to be significant. Given the mobility rate of the Fort Sheridan segment of the community, however, the District does expect to experience more annual fluctuation in its student enrollment. This could be an increase or decrease each year. However, over time, it is anticipated that the average level of effect will be similar to that experienced in fiscal 2009 when the development was completed. Thus far, the student growth has been absorbed in existing facilities without the need for a request for additional local taxpayer funding. However, student growth along with expanded student needs across the District did require the expansion of four classrooms in August 2009 through the use of two mobile units at a middle school. Use of these units has continued and the length of time these units will be needed is being routinely evaluated.

The District continues its work with local political representatives to promote legislative language that will enable restoration of additional debt capacity lost through consolidation of predecessor districts into the District. This debt capacity could fund potential permanent expansion at the middle school. Additional state and federal funding sources have already been negotiated with the help of local and federal legislators to support the impact of anticipated growth in the number of military students within the District. To date, the District has been able to obtain additional annual state and federal funding sources estimated ultimately to be annually as much as approximately \$1 million toward the funding of the impact of new military housing. The timing of the receipt of the increased level of federal funds related to the negotiated entitlement of heavily impacted aid, however, lags the need by up to three years and is subject to annual appropriation. A first cash installment of approximately \$660,000 was received in 2009. This payment is being recognized in operations over a three-year lag period beginning in fiscal 2010. The total anticipated current heavy impact aid revenue recognized in fiscal 2011 and 2010 was approximately \$495,000 and \$570,000, respectively. The Working Cash Fund is available and may be used to temporarily fund any potentially delayed payments.

Continued federal funding of the majority of the payments, is also subject to renewed legislative authorization approvals for the District to continue to receive heavily impacted aid. Due to current national economic conditions and related federal budget constraints continued receipt of the higher payments is considered at risk at this point. Current Federal Impact Aid payments to the District at an approximate \$4,200 per student level versus a potential \$800 per student level for the longer term is dependent on the success of continuation of enabling legislation and of the build out of all planned naval housing in all area district communities affected by the local naval base. Achieving the regulatory student enrollment impact requirements to receive the higher payments is also anticipated to be a challenge given the effect of the economy on new construction and on the naval housing project in other

participating districts. The District believes it will be able to implement operational changes, to significantly mitigate the financial effect of any revenue decline that might result from unfavorable changes in federal legislation or budget appropriation.

## ECONOMIC CONDITION AND OUTLOOK

The District is located in the northeastern part of the state in a mature “built out” community. The District’s tax base is primarily made up of residential communities, with some retail businesses and little industry. The economic condition of the Highland Park and Highwood areas is relatively stable. Assessed property values in the District’s community, as with virtually all nationally, have declined. The District’s property value decline for existing unimproved properties has been approximately 5% aggregately per year over the past two years. While being an unfavorable trend, the decline has been far less than other Chicago area communities, some of which have been impacted by double digit annual declines in assessed values. The prospect of continuing the current level and receiving some additional property tax revenue is good. The two towns that District 112 serves each have distinct personalities and characteristics. According to the 2010 census, the median household income was \$67,114 in Highwood and \$113,404 in Highland Park. Highwood’s median house value was \$349,600. Highland Park’s median house value on the 2010 census was \$542,000, which was 102% higher than the median value of \$268,100 for Lake County and 203% higher than \$178,800 for the state. While the actual values may have changed with the economic recession, it is believed that the relative values have improved.

In 1990, the state of Illinois’ legislature imposed a cap on property taxes which limits the tax levy to 105% or the Consumer Price Index (CPI) increase (whichever is the lesser) of the previous tax extension, excluding growth due to new construction, which provides for additional tax revenues over the capped amounts. The legislation allows voters to override the tax cap by referendum. Highland Park and Highwood have traditionally been very supportive of maintaining excellent school systems. As long as local taxpayers are allowed to support their schools, no financing problems for the District are foreseen. In addition, the effect of the tax caps methodology in general insulates the District from a major decline in property tax revenues. The annual increase in property tax revenues is subject to the CPI factor applied to the previous year’s property tax revenues received by the District. The amount of property tax revenue is essentially maintained or increased by the tax cap formula, since the component tax rate factor increases as the component property value factor declines, resulting in a stable inflation-adjusted amount of extended property tax revenues for the District. In addressing the desire to improve the economic condition of the state, however, there have been proposed legislative changes to eliminate or mitigate the amount of inflationary increases to property tax revenues when assessed values decline. If this were to occur, the District is prepared to appropriately adjust operating expenses.

The recent and current downturn in the financial and real estate markets has also had a generally negative impact on housing values. However, under current or any proposed modified “tax cap” legislation, this factor does not currently have a significant effect on the property tax revenues allocated to the District. Changes in relative housing values primarily reallocate taxes due to the District among community taxpayers. The District’s community also continues to demonstrate its ability to pay taxes owed. This financial profile is expected to continue. However, if the aggregate property values declined so significantly that tax rates exceeded authorized maximums, revenues could decline; an event not considered probable. In addition, compared to other community locations, any related negative financial impacts in relative terms are anticipated to continue to be less.

In fiscal 2011, the District was challenged by the receipt of property tax revenue based on a mere, basically flat, 0.1% CPI percentage growth; the lowest percentage increase since tax cap legislation was implemented. This was in contrast to fiscal 2010, when the District was benefited by the receipt of property tax revenues based on a CPI percentage growth of 4.1%; the highest percentage increase since tax cap legislation was implemented. In each year, however, the District unlike several other districts was

benefited by gaining additional higher than expected property tax revenue legislatively generated by the addition of new constructed property within the District. The CPI percentage calculation in general is based on year-old economic indicators and performance. In addition, the related tax revenues are paid two fiscal years later. As a result, for example, the additional revenues received in fiscal 2010 were used, in part, to cover costs of economic impacts, such as fuel dependant utility costs, expended in fiscal 2008. In addition, a portion of the increased funds was used to pay for the cost of newly negotiated labor contracts and facility improvement needs. In consideration of the volatility of the CPI percentage factor from 2010 to 2011 and in comparing the CPI factor for fiscal 2011 of 0.1% to the ten-year average annual CPI percentage increase of approximately 2.5%, for fiscal 2011 the District budgeted spending of a portion of operating fund balances to maintain an expected and fiscally responsible level of student services during the year, and to pay for contractual commitments. The actual amount of fund balance spending was monitored and managed through continued budget deficit reduction (BDR) efforts, during the year, resulting in a lower than budgeted amount being expended. The combined benefits of expenditure control and receipt of certain unexpected revenues resulted in approximately \$755,000 less of deficit spending, of operating funds balances than budgeted in fiscal 2011.

In fiscal 2010, unexpected federal stimulus funds were consciously used to primarily fund nonrecurring costs, including the District's share of new facility costs for its special education cooperative, North Suburban Special Education District (NSSD). Federal stimulus money received in fiscal 2011 was nominal. In consideration of all financial impacts, the District was able to minimize deficit spending for operating purposes in fiscal 2010 to approximately \$344,000. This deficit spending primarily represented contemplated use of operating fund balances for capital projects funded and planned for in prior years.

The CPI percentage increase affecting fiscal 2012 operations is 2.7%; one that approximates the ten year average of approximately 2.5%. However, the average CPI factor for the three years operating period ending June 30, 2012 is less than the 2.5% average and the additional revenue from newly constructed property is expected to decline approximately 36% in fiscal 2012. In addition, the District's costs of labor and benefit commitments and facility improvement needs continue to impact its financial operations. To address the resulting financial challenge anticipated for fiscal 2012 of continuing to operationally balance limited revenues and increased expenses and still provide the quality educational services to students that community expects, the District's Board of Education again approved a budget deficit reduction (BDR) approach that called for matching the amount of reduction in operating costs for the year with a use of an equal amount of accumulated operating fund balances. The theory was to promote fiscal prudence in determining operating needs for the year with recognition that operating fund balances had been accumulated in prior years for use, in part, to cover unexpected negative economic conditions. This shared BDR approach enabled the District to fund its strategic plan strategies, meet its commitments, including an average 4% increase in salaries for members of the certified bargaining unit, and maintain a quality education plan. This plan which included continued expansion of technology and assessment of student achievement capability, while reducing operating cost by approximately \$1.4 million and maintaining operating fund balances in excess of \$20 million.

Fiscal 2013 operations will be affected by a 1.5% CPI percentage increase, one that again is below the ten-year average of 2.5%. However, while there continues to be new construction in the District, a factor atypical for many districts, this tax benefit effect for fiscal 2013 is again anticipated to decrease, nearly 40%, from the previous year, 57% from the seventeen-year average and over 80% from the highest year. A significant component of expenditure commitments expires June 30, 2012, with the expiration of the certified employees' union contract. The District anticipates a significant reduction in the current contractual, average annual base salary of 4% increase, in salaries plus other benefits. The cost and level of other wage, salary and benefit components to the extent contractually possible and of continuing technology and facility needs will also be evaluated. It is contemplated that a similar BDR approach will be used to achieve a fiscally prudent operating approach that maintains quality education with minimal use of operating fund balances.

Like all districts in the state, as discussed above, District 112 has fiscal challenges provided by current global economic conditions that will negatively impact future operations and the ability to maintain balanced budgets. Unlike most other districts, however, District 112 has substantial fund balance reserves to help sustain reasonably reduced operations and overall negative economic impacts. In addition, beginning with the 2013 fiscal year, the District will have had the opportunity to address a significant component of its costs through the obtaining of new labor cost commitments related to most of its employees.

## COMMUNITY ATTRIBUTES

District 112 has multiple assets, one of the most potent being the level of parental and community support. The overall school community demonstrates its value for education, its strong social consciousness, and its interest in insuring access and equity by offering its resources of time, materials, and money. The District's PTA/O's and 112 Foundation sponsor fundraisers that benefit all students in the community, including those whose families are the most fiscally challenged. The 112 Foundation also focuses on encouraging and facilitating the development of new ideas and opportunities for students. In addition, the District has excellent student role models who influence the climate of all twelve schools. Even though the District has undergone demographic changes, over time, the District has maintained a stable, financially responsible budget and financial reserves. On balance, North Shore School District 112 has many more positive attributes than challenges, which allows for an emphasis on implementing strategies for continuous improvement and on strengthening an already strong educational program and environment.

## STRATEGIC PLAN, MISSION, AND GOALS

During the 2009-2010 school year, North Shore School District 112 worked with the community and staff to develop a revised five-year strategic plan. The plan included updating the District's mission statement, belief statements, operating parameters, strategies and action steps. The plan is intended to guide the work of the District over the long term, with specific action steps to achieve the various strategies adopted for implementation. Results of these action steps will be evaluated along with the relevance of the plan on an annual basis, with appropriate changes being made as they are identified.

Following is a summation of North Shore District 112's Strategic Plan including its Mission, Belief Statements, Parameters, Objectives and Strategies, including those related to the 2010-2011 and 2011-2012 school years:

### *Mission Statement*

*The mission statement is a clear and concise expression of the District's identity, purpose and means. It is the keystone of the Strategic Plan.*

The mission of North Shore School District 112, a community partnership committed to a world-class education, is to nurture every child to become an inspired learner, well-rounded individual and contributing member of a global community by striving for excellence within an environment that fosters innovation, respect, engagement and intellectual inquiry.

### *Belief Statements*

*The beliefs are the driving force of the entire Strategic Plan. They can be described as the non-negotiable principles that underlie the entire plan and reflect our most deep and abiding convictions.*

#### *We Believe That...*

- All individuals have inherent value.
- Hard work, self-confidence and determination increase the probability of achieving full potential.
- Individuals are responsible for their own decisions and actions.
- Any community benefits when people willingly contribute to the well-being of others.
- Everyone can be a successful learner.
- Effective education enhances the quality of life.
- Understanding diversity is essential for people to thrive in an interdependent world.
- Honesty and integrity build trusting relationships.
- Effective education is a partnership among school, family and the broader community.
- Change involves risk and is necessary for continuous improvement in a dynamic world.

### *Parameters*

*The parameters of the Strategic Plan are absolute pronouncements that establish the boundaries to prevent the over zealous pursuit of the Mission. The parameters are self-imposed limitations that are applied throughout the strategic planning process and the development of the Strategic Plan.*

1. We will always provide safe, supportive and nurturing learning and working environments.
2. We will not tolerate behavior that is disrespectful or demeaning to any individual or group.
3. No new program or service will be accepted unless:
  - It is consistent with the strategic plan
  - Its benefits justify costs, and
  - Provisions are made for professional development and program evaluation.
4. No program or service will be retained unless it makes an optimal contribution to the mission and benefits continue to justify the cost.
5. We practice fiscal responsibility while maintaining an operating fund balance of at least 25%.
6. The scope of our programming will always attend to the social, emotional and physical well-being of our students.
7. The School Improvement Plans will always be consistent with the District's Strategic Plan.

### *Objectives*

*The objectives of the Strategic Plan are the School District's commitment to achieve specific and measurable end results. The objectives are tied very closely to the mission statement and are derived from and define the mission.*

- Every student will achieve personal academic excellence by demonstrating growth as measured by North Shore School District 112 standards and assessments.
- Every Child will understand and consistently demonstrate the character attributes of respect, responsibility, trustworthiness, caring, fairness and citizenship at school and in the community.

### *Strategies*

*The strategies of the Strategic Plan describe the broad statements of how the School District's resources will be deployed to achieve our mission and objectives. The strategies are directly related to the mission and objectives and are designed to close the gap between what is and what could be. These seven strategies will provide focus and total system concentration of our effort and resources.*

1. We will continue to align our curriculum and develop Power Standards and student assessments in all curricular areas.
2. We will ensure our educators have the support necessary to utilize effective instructional strategies and interventions to inspire each student to grow to academic excellence.
3. We will develop and implement plans to ensure the sustainability of the District's financial and human resources and their equitable distribution.
4. We will develop and implement plans to ensure we have the facilities and technology infrastructure needed to achieve our mission and objectives.
5. We will develop a plan to unify our community by improving understanding of the benefits of its rich diversity and engaging it as a critical partner in the education of our children.
6. We will create a learning environment that actively nurtures and engages students' creativity, critical thought and intellectual curiosity.
7. We will model, integrate, recognize, reinforce and develop means to assess the character traits of responsibility, respect, fairness, caring, citizenship and trustworthiness throughout the District.

Recommended Specific Results 2010-2015, including those to address fully, continually or initially in fiscal 2011 and in fiscal 2012:

Strategy #1 (Plan/Results; 1,2,3,4 & 5 addressed in fiscal 2011; *1, 2,3,4,5 & 6 to be addressed in fiscal 2012*)

*We will continue to align our curriculum and develop Power Standards and student assessments in all curricular areas.*

Plan 1 Result: Adopt a web-based program that collects, stores, and analyzes student information and performance data from multiple sources.

Plan 2 Result: Communicate the District's adopted curriculum and its development process to all stakeholders.

Plan 3 Result: Continue to execute the established curricular and programmatic review cycle annually.

Plan 4 Result: Improve vertical and horizontal content collaboration focused on student learning.

Plan 5 Result: Develop district trimester/quarter benchmark assessments for each curricular area in its third year of the curricular and programmatic review cycle.

Plan 6 Result: Ensure differentiated staff professional development to address various stages of curriculum development and assessments.

Plan 7 Result: Develop a pre-k/elementary report card based on power standards.

Plan 8 Result: Develop a middle school report card based on power standards

Strategy #2 (Plan/Results; 1 & 2 addressed in fiscal 2011; *1, 2,3,4,5 to be addressed in fiscal 2012*)

*We will ensure our educators have the support necessary to utilize effective instructional strategies and interventions to inspire each student to grow to academic excellence.*

Plan 1 Result: Educate staff on the purpose, basic components, and essential procedures of Response to Intervention.

Plan 2 Result: Establish a system to effectively and consistently implement Response to Intervention across all schools.

Plan 3 Result: Ensure that all certified staff will participate in district-sponsored professional development opportunities each year, based on identified strands of need.

Plan 4 Result: Ensure that all classified instructional staff will participate in district-sponsored professional development opportunity each year based on identified strands of need as they relate to district-wide curriculum initiatives.

Plan 5 Result: Create and maintain list of reviewed, approved instructional programs, organized by content area or learner type, with sub areas of problem-type/student need, materials that match the need, and the site and person responsible for materials.

**Strategy #3 (Plan/Results; 1, 2, & 3 addressed in fiscal 2011; *1, 2, & 3 to be addressed in fiscal 2012*)**  
*We will develop and implement plans to ensure the sustainability of the District's financial and human resources and their equitable distribution.*

Plan 1 Result: The District will maximize the efficient, effective and equitable delivery of personnel, programs and services.

Plan 2 Result: The District will improve the efficient and equitable use of the facilities and property (physical) assets.

Plan 3 Result: The District will improve upon the statistical reporting so the District can measure equitable distribution of financial and human resources.

**Strategy #4: (Plan/Results; 1, 2, 4a, 7, & 8 addressed in fiscal 2011; *1, 2, 3, 4a, 6, 8, & 9 to be addressed in fiscal 2012*)**  
*We will develop and implement plans to ensure we have the facilities and technology infrastructure needed to achieve our mission and objectives.*

Plan 1 Result: Secure our buildings to make them a safer learning environment.

Plan 2 Result: Decrease power usage and material waste by 20%.

Plan 3 Result: Develop a common model for disposal (removal) of outdated and/or unneeded district equipment.

Plan 4a Result: Develop a district model for facility pre K-8.

Plan 4b Result: Develop and implement a plan for facilities Pre K-8 model.

Plan 5 Result: Create technology standards for teachers.

Plan 6 Result: Standardize software applications.

Plan 7 Result: Implement a plan to increase internet bandwidth to industry best.

Plan 8 Result: Complete Promethean Board deployment.

Plan 9 Result: Improve computer-to-student ratio.

Strategy #5 (Plan/Results; 2, 3, & 5 addressed in fiscal 2011; *2, 3, & 5 to be addressed in fiscal 2012*)  
*We will develop a plan to unify our community by improving understanding of the benefits of its rich diversity and engaging it as a critical partner in the education of our children.*

Plan 1 Result: District 112 employees will examine their attitudes and perceptions and broaden their understanding of diversity so that the staff contributes to community unification.

Plan 2 Result: Embed diversity themes and activities into existing consistent curriculum.

Plan 3 Result: The District will capitalize on existing community events and increase participation in them.

Plan 4 Result: A system will be put into place to ensure that parents will have opportunities to increase their awareness and understanding of diversity through participation in the 112 community.

Plan 5 Result: North Shore School District 112 will launch a public relations campaign to increase the community understanding of the diversity within Highland Park, Highwood and Fort Sheridan and the advantages of this diversity.

Plan 6 Result: Develop innovative outreach efforts to engage partners in the life of the school and education of the children.

Plan 7 Result: District 112 will increase unification efforts among students to increase cross-district interaction.

Strategy #6 (Plan/Results; 1 & 2 addressed in 2011; *2 to be addressed in fiscal 2012*)  
*We will create a learning environment that actively engages and nurtures students' creativity, critical thought, and intellectual curiosity.*

Plan 1 Result: All instructional staff will build capacity to utilize differentiated instructional strategies with a common framework.

Plan 2 Result: Establish student technology Power Standards at each grade level.

Plan 3 Result: Promote and enhance partnerships between families, schools, and community, which will stimulate creativity and intellectual curiosity.

Strategy #7 (Plan/Results; 1 & 6 addressed in 2011; *1, 2 & 6 to be addressed in fiscal 2012*)  
*Model, integrate, recognize, reinforce, and develop means to assess the character traits of trustworthiness, respect, responsibility, fairness, caring and citizenship throughout the District.*

Plan 1 Result: Develop a consistent framework for expectations of good character for students, parents, staff and community members.

Plan 2 Result: Create an organizational culture within each school that supports the District's character framework and nurtures the social emotional growth of each student.

Plan 3 Result: Monitor, on an ongoing basis, the effectiveness of the programs in the District's schools within the character framework.

Plan 4 Result: The District will create and implement a communication plan regarding its character programs and activities (“character plan”).

Plan 5 Result: The district will develop partnerships with various organizations to strengthen character strengths of students, parents, staff and community members.

Plan 6 Result: Develop ways to celebrate good character.

## STUDENT ACHIEVEMENTS

For tenth year, The Illinois State Board of Education conducted the Illinois Standards Achievement Test (ISAT) for students in grades three, four, five, six, seven, and eight. The District goal is for all students to meet or exceed the Illinois’ learning standards. The District’s 2010-11 ISAT outcomes are presented in the following table. Although the District and its schools use the ISAT to help determine individual student learning goals, the State uses ISAT results to determine if the District and its schools are making adequate yearly progress as defined by the No Child Left Behind Act. The results of the 2010-11 ISAT are:

### 2010 Illinois Standards Achievement Test - (ISAT)

#### All Students

#### Overall ISAT Results - All Students

91% of the District’s third through eighth grade students met or exceed state goals in Reading.

94% of the District’s third through eighth grade students met or exceed state goals in Math.

92% of the District’s fourth and seventh grade students met or exceeded state goals in Science.

Reading: 86% of the District’s third graders meet or exceed state goals.  
92% of the District’s fourth graders meet or exceed state goals.  
88% of the District’s fifth graders meet or exceed state goals.  
92% of the District’s sixth graders meet or exceed state goals.  
93% of the District’s seventh graders meet or exceed state goals.  
95% of the District’s eighth graders meet or exceed state goals.

Mathematics: 94% of the District’s third graders meet or exceed state goals.  
97% of the District’s fourth graders meet or exceed state goals.  
91% of the District’s fifth graders meet or exceed state goals.  
91% of the District’s sixth graders meet or exceed state goals.  
94% of the District’s seventh graders meet or exceed state goals.  
95% of the District’s eighth graders meet or exceed state goals.

Science: 92% of the District’s fourth graders meet or exceed state goals.  
92% of the District’s seventh graders meet or exceed state goals.

Writing: Statistical results for writing are no longer produced by the State.

In 2011, the North Shore School District 112’s overall performance in Reading, Math and Science exceeded the NCLB performance targets. However, the District did not make Annual Yearly Progress (AYP) as three of its student subgroups (students with IEPs, students with limited English proficiency, and students with economic disadvantages) scored below the NCLB performance targets. There is no sanction for year one of not making AYP. Ten of the 11 District schools taking the ISAT made AYP. The one school not making AYP, Oak Terrace, showed the second highest growth rate in the District in Math and Reading per the District’s MAP Achievement Test.

For Oak Terrace and other schools, the District continues to respond to their needs. A full versus half-time Assistant Principal was assigned to Oak Terrace School in fiscal 2012, to ensure the principal is able to spend more time in classrooms supporting good instruction. The District also purchased additional research-based writing and extended day reading and math materials for Oak Terrace. The District supports Red Oak School with an additional reading specialist to support improved reading instruction in the school.

## FINANCIAL ACHIEVEMENTS

### *Adoption and Implementation of a Fiscally Responsible Balanced Budget*

The District's annual financial objective is to adopt and implement, over time, a fiscally responsible balanced budget. The Government-wide financial statements for fiscal year 2011 reflect an overall increase in net assets for the year of \$4,741,634. This increase represents a current year financial benefit to the accrual based Government-wide financial statements not equivalent to the change in fund balances reflected in the 2011 modified accrual based fund financial statements. The aggregate fund balances decreased approximately \$1,248,000 between years. This difference in financial effect is primarily related to the issuance of long-term debt that provides current financial resources to governmental funds and the repayment of the principal of long-term debt that consumes the current financial resources of governmental funds. Whereas, in the Government-wide financial statements, the effects of long-term debt, issuances and payments are reflected in the statement of net assets and as a related charge in the statement of net activities. The difference in accounting for fiscal 2011 debt transactions between fund and Government-wide financials was approximately \$6.2 million of net debt payments. In addition, in fiscal 2011, the District's aggregate depreciation expense related to capital items, as reflected in the Government-wide financial statements, was approximately \$0.4 million less than the actual capital expenditures for the year as reflected in the fund financials. Other differences related to the two financial statements in fiscal 2011 were primarily the result of different methods of accounting for revenue deferrals and timing of revenue recognition, resulting in approximately \$0.6 million of additional fund statement revenues in fiscal 2011.

In prior years, through responsible financial management, the District has been able to achieve or exceed a balanced budget objective in its fund financial statements after considering the intended longer-term interplay of other financing sources (uses). As a result, the District currently has in excess of \$22.5 million in operating fund balance reserves; combined balances in the Educational, Operations and Maintenance, Transportation, and Working Cash funds. This represents a financial advantage to the community in addressing the challenges posed by the current economy.

However, the current state and local economic condition, reflective of national and global conditions, presents a formidable challenge to achieve balanced annual budgets in the near term, particularly in consideration of current expenditure commitments. In fiscal year 2011, the District's deficit spending in its primary operating funds was approximately \$901,000. While this net decrease was beneficially less than the planned use of previously accumulated fund balances to address anticipated facility and operating needs, in the near term before expenditure commitments can be negotiated, deficit spending is anticipated to continue.

Due to the economic changes substantially beginning in the fall of 2008, anticipated increased revenue sources from new potential sales tax legislation, potential property tax and debt replacement levy opportunities became unlikely in the next few years when the capital expenditures were anticipated to be incurred. As a result, additional infrastructure capital project expenditures in excess of approximately \$500,000 were continued to be made using accumulated operating fund balances in fiscal 2011. Fund balance payments for additional facility needs are also anticipated in the future and are incorporated in the previously described projected deficit spending amounts. Deficit spending is anticipated to be limited

within the continued objective of maintaining operating fund balance reserves equal to at least 25% of expenditures. As reflected in the fund financials as of June 30, 2011 the unassigned fund balance after consideration of this 25% fund balance assignment and other required fund balance restrictions, the unassigned total of all fund balances is \$1,579,274; with all relating to operating fund balances.

### ***North Shore School District 112 PTOs/PTAs' Support***

Each of the schools in the District has very involved Parent Teacher Organizations (PTOs) or Parent Teacher Associations (PTAs). These organizations are active fundraisers for the schools and contribute considerable amounts of money and volunteer efforts to enhance the operations of these schools.

### ***North Shore School District 112 Education Foundation Support***

The 112 Education Foundation was founded in the 1995-96 school year by the Board of Education, parents, and community members to allow for creative, alternative sources of revenue that could be used to help enrich and enhance educational opportunities for all school children.

During the 2010-2011 school year, the Foundation conducted many fund-raising efforts. In excess of \$50,000 of funds donated to the District were allocated to support such educational enhancements as opportunity grants for teachers, mentoring opportunities, student scholarships, enhanced fine arts programming, and academic enrichment opportunities.

### ***Achievement of Excellence in Financial Reporting***

In connection with the reporting of the District's financial results for the fiscal year ended June 30, 2010 in its Comprehensive Annual Financial Report (CAFR), the District maintained its tradition of receiving a Certificate of Achievement for Excellence in Financial Reporting Award from the Association of School Business Officials International (ASBO International). The preparation of a CAFR is not an industry requirement. It is voluntarily prepared by the District in fulfilling its interest in achieving best practices in financial reporting and transparency to the community. This award reflects the District's commitment to the highest standards of school system financial reporting. The District has obtained this award for each of its years of financial reporting. It is the District's intent to continue the practice of providing expanded financial reporting.

The District was also recognized by the Government Finance Officers Association (GFOA), with a Certificate of Excellence in Financial Reporting for the year ended June 30, 2010. This also represents continuous years of recognition for voluntary achievement in financial reporting.

The state of Illinois has an established system to rank school districts by the strength of their financial performance and related financial profile. For the 2011 fiscal year, the District was again ranked in the highest "Recognition" category related to its financial profile.

## **FINANCIAL INFORMATION**

The District's administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and that (2) the valuation of costs and benefits requires estimates and judgments by management.

Tests are made by the District's independent auditors to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations. The results of the tests for the fiscal year ended June 30, 2011, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

### *Budget Control*

The District maintains sound budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the District's Board of Education.

Monthly, the business office provides the Board with a variance report based on changes to the approved budget. The Board is also provided with other monthly financial information including revenue and expenditure detail, check registers and cash, receivable and investment summaries. Other financial information is routinely provided as needed.

Activities of the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds are included in the annual budget. The level of budgetary control is established at the individual fund level. As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

### *Cash Management*

In keeping with existing Board of Education policy, all investments are made in a prudent, conservative, and secure manner and in accordance with the guidelines detailed in the Board's investment policy. Cash temporarily idle during the year is typically invested in demand deposits, certificates of deposit, and/or to a lesser extent in an account with the Illinois School District Liquid Asset Fund Plus (ISDLAF+). Portions of the District's investments in ISDLAF+ are in the very highest grade of commercial paper, and, even though these are not insured, they are considered safe by all state of Illinois legislated requirements and prudent investment standards. All remaining cash were insured during the year by federal depository insurance or supported by appropriate collateral.

In monitoring and in anticipation of the recent economic downturn and volatility of the financial markets, during fiscal 2009, the District moved towards a concentration of investments collateralized primarily by full faith federal agencies, treasuries, and FDIC insurance. In fiscal 2011, the Board's investment policy was further revised to improve clarity of support for this investment approach, which continued to represent the District's portfolio *during the year*. During these challenging economic times, the District has been able to preserve the principal portion of its investments while achieving investment earnings. The District's investment position remains conservative and focused on preservation of capital with achievement of reasonable earnings.

### *Risk Management*

During 2011, the District was a member of the Collective Liability Insurance Cooperative (CLIC) for property, casualty, and liability insurance through the pooling of 167 school Districts. It was also a member, with 125 other school districts, of the Collective Liability Insurance Cooperative (CLIC) for workers' compensation self-insurance. CLIC is a school insurance cooperative formed for the purpose of obtaining a more comprehensive insurance contract combined with service and competitive pricing. Arthur J. Gallagher, Gallagher Bassett Services, and Cambridge Integrated Services Group provide an individualized, tailored service to the pools. Coverage is reviewed annually in order to minimize the risk of a major loss at reasonable premium costs. It is the intent of the District to continue participation in these types of insurance pools in future years.

The District is self-insured for unemployment claims and for the majority of its claims under its employee medical and dental plans. Unemployment claims are not significant. Self-insured medical and dental plans are structured with appropriate levels of stop-loss insurance coverage and are administered with the professional assistance of brokers at The Horton Group and carriers; Blue Cross/Blue Shield of Illinois (medical) and Humana, Inc. (dental). Historically, the District has had generally favorable or nominal additional claims experience to those anticipated for the year.

## **OTHER INFORMATION**

### ***Independent Audit***

State statutes require an annual audit of the books of accounts, financial records, and transactions of all funds of the District. The financial statements audit as of June 30, 2011, and the year then ended was performed by, the independent certified public accounting firm of, Miller, Cooper & Co., Ltd. The unqualified auditors' report is included in the financial section of this report.

### ***Acknowledgments***

We wish to thank the members of the Board of Education for their interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner. We also wish to thank the efficient and dedicated business office staff for their assistance in the timely preparation of this report.

Respectfully submitted,



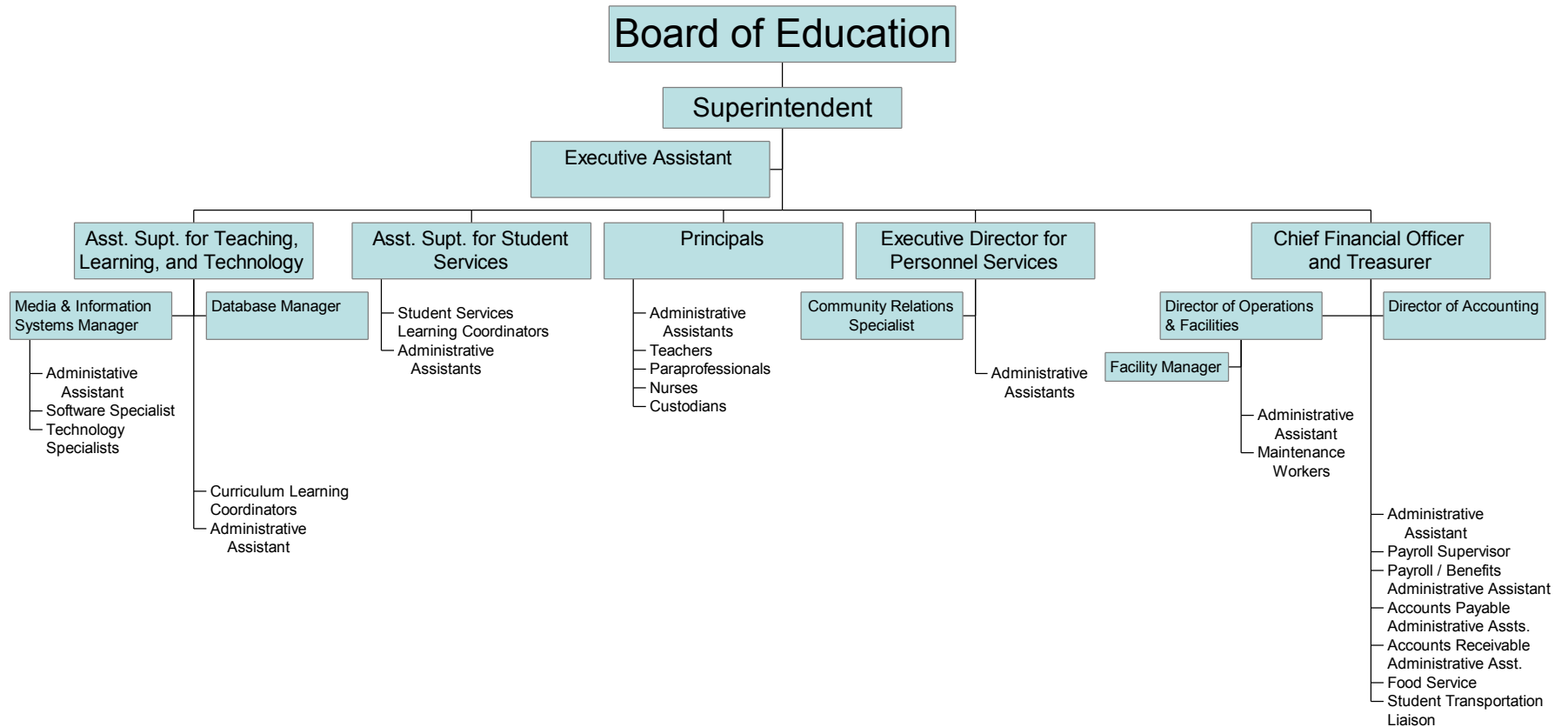
David L. Behlow, Ph.D.  
Superintendent of Schools



Mohsin Dada  
Chief Financial Officer and Treasurer

# ORGANIZATIONAL CHART

## North Shore School District 112



# North Shore School District 112

1936 Green Bay Road  
Highland Park, IL 60035

## Comprehensive Annual Financial Report Officers and Officials Fiscal Year Ended June 30, 2011

### Board of Education

		<u>Term Expires</u>
Bruce Hyman	President	2015
Cynthia R. Plouche	Vice President	2013
Marcia Bogolub	Member	2013
Howard Metz	Member	2013
Jane Solmor-Mordini	Member	2013
Michael Cohn	Member	2015
Yumi S. Ross	Member	2015

### District Administration

David L. Behlow, Ph.D.  
Superintendent of Schools

### Official Issuing Report

Mohsin Dada, CFP  
Chief Financial Officer and Treasurer

### Department Issuing Report

Business Office

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

**NORTH SHORE SCHOOL DISTRICT 112**

**For its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2010**

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

North Shore School  
District No. 112, Illinois

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danison*

President

*Jeffrey R. Enos*

Executive Director

## FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

The Members of the Board of Education  
North Shore School District 112  
Highland Park, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Shore School District 112, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of North Shore School District 112's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's June 30, 2010 financial statements and, in our report dated December 29, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Shore School District 112 as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(Continued)

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In accordance with *Government Auditing Standards*, we have issued our report dated January 20, 2012 on our consideration of North Shore School District 112's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 22, the Illinois Municipal Retirement Fund and Other Postemployment Benefits historical data on pages 63 and 64, and the budgetary comparison information, and the required supplementary information on pages 65 through 85 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Shore School District 112's basic financial statements. The other schedules, listed in the table of contents as supplementary financial information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

MILLER, COOPER & CO., LTD.



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Certified Public Accountants

Deerfield, Illinois  
January 20, 2012

# **North Shore School District 112**

## **Management's Discussion and Analysis**

### **For the Year Ended June 30, 2011**

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This section of North Shore School District 112's (the District) annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2011. Please read it in conjunction with the transmittal letter found in the introductory section and with the District's financial statements, including detailed information provided in the notes to the financial statements. Certain comparative information between the current year and the prior is required to be presented in the Management's Discussion and Analysis (MD&A).

The Management's Discussion and Analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB).

#### **Financial Highlights**

- As reflected in the accrual-based Government-wide financial statements as of June 30, 2011, the District has \$84.1 million in net assets and \$171.3 million of total assets, approximately \$63.8 million of which is in cash and investments. In fiscal 2011, the District again achieved an increase in its net assets. The increase was equal to approximately \$4.7 million from accrual based operations for the year ended June 30, 2011. The District's financial status continues to be strong.
- The District's traditional modified accrual-based fund financial statements also reflect a continued strong financial position as of June 30, 2011, with total governmental fund assets of \$98.3 million and total governmental fund balances of \$26.6 million; \$22.5 million of which related to operating funds. After setting aside accumulated operating fund balances by assignment to meet the Board's required amount equal to 25% of operating expenses and for other required accounting industry allocations, unassigned operating fund balances at June 30, 2011 are approximately \$1.8 million. Approximately \$12.1 million of the total fund balance is in the District's Working Cash Fund as of June 30, 2011; a fund typically viewed as a long-term savings fund.

During fiscal 2011, overall governmental fund revenues were \$82.9 million. Expenditures were \$84.2 million. This resulted in an excess of expenditures over revenues, deficit spending, for the year of \$1,247,999.

A primary source of the approximate \$5.9 million difference between the \$4,741,634 increase in net assets in the District-wide accrual-based financial statements, as compared to the \$1,247,999 decrease in the modified accrual-based fund financial statements is an approximate \$6.2 million difference resulting from the method of accounting for long-term debt obligation increases and payments in the two financial statements. The government-wide financials use a balance sheet approach, and, in the fund financials, operations are affected in the current year. In addition, in fiscal 2011, the District's aggregate depreciation expense related to capital items as reflected in the District-wide financial statements was approximately \$0.4 million lower than the actual capital expenditures for the year as reflected in the fund financials. Other differences related to the two financial statements in fiscal 2011 were primarily the result of different methods of accounting for revenue deferrals and timing of revenue recognition, resulting in approximately \$0.6 million of additional fund statement revenues in fiscal 2011.

**North Shore School District 112**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

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- In the District's primary operating funds (Educational, Operations and Maintenance, Transportation, and Working Cash funds), there was a decrease in fund balances for the year of \$901,544. The aggregate operating fund decrease was substantially the result of a basically flat increase in the inflationary factor, the annual Consumer Price Index (CPI), of 0.01% that affects the amount of property tax revenues for the year; the District's primary revenue source. Deficit spending was also affected by the District's planned use in fiscal 2011 of previously accumulated fund balances for anticipated future facility improvement needs and for labor and other contractual commitments. The net facility and operating cost funding needs from fund balance reserves were, however, less than planned due in large measure to use of expenditure controls during the year. In total, however, additional facility related capital project expenditures in excess of \$500,000 were made using accumulated beginning of the year fund balances. Due to the economic changes effectively beginning in the fall of 2008, anticipated increased revenue sources from new potential sales tax legislation, potential property tax, and debt replacement levy opportunities became unlikely in the next few years when the capital expenditures were anticipated to be incurred. As a result, fund balance payments for additional facility needs were made and are also anticipated in the future and are incorporated in the District's financial projections.
- Due to continued implementation of fiscally responsible management, planning, and cost controls, in the currently challenging economic environment, along with the receipt of more new construction property taxes than planned, the District was able to achieve better than anticipated financial results and maintain a strong financial position.
- Through property tax cap legislation, the state of Illinois limits the annual property tax revenue growth to the lesser of the defined Consumer Price Index (0.1% for fiscal 2011; the lowest level since the introduction of tax caps, versus, 4.1% for fiscal 2010; the highest level since the introduction of tax caps) or 5%. There is an additional revenue factor for new construction. The State also permits subsequent year property tax revenue reductions for the impact of prior year property tax appeals. Overall, property tax revenues increased approximately 1.6% or \$1.0 million in fiscal 2011.

In fiscal 2011, the District was financially challenged by the receipt of property tax revenue based on a CPI percentage growth factor of 0.1%; essentially 0%. This percentage increase was the lowest since tax cap legislation was implemented. The CPI percentage calculation in general is based on three year old economic indicators and performance and was lower than the previous ten year average annual CPI inflationary factor of approximately 2.5%. The related tax revenue is paid nearly two years later. As a result, the flat inflationary revenues received in fiscal 2011 were used in part to cover economic decline experienced in fiscal 2009.

The District did receive approximately \$437,000 more in property tax revenues than expected. This increase related to the impact of the continuation of new construction, primarily renovations in its community. In addition, the effect of property tax appeals was less than anticipated in fiscal 2011.

The increase in fiscal 2011 property tax revenues in excess of those that were anticipated along with expenditure controls enabled the District to have a stronger financial performance than planned. As a result, the District was able to maintain the quality education that the community expects, covering the cost of newly negotiated labor contracts and facility improvements and other operating needs and commitments, including investing in educational technology. In doing so, however, while less than budgeted, deficit spending was still required to meet the financial challenges of the year.

**North Shore School District 112**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

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- To date, the District has been able to obtain through successful pursuit of specific legislation, additional annual state and federal funding sources estimated ultimately to be annually as much as approximately \$1 million toward the funding of the impact of new military housing. The timing of the receipt of the increased level of federal funds related to the negotiated entitlement of heavily impacted aid, however, lags the need by up to three years and is subject to annual appropriation. A first cash installment of approximately \$660,000 was received in 2009. This payment is being recognized in operations over a three-year lag period beginning in fiscal 2010. The total of amortized and current year impact aid revenue recognized in fiscal 2011 and in fiscal 2010 was approximately \$495,000 and \$570,000 respectively. The federal legislation and appropriation that enables the increased federal funding to approximately \$4,200 per student versus approximately \$800 per student is being challenged for renewal and continuation. The District believes, however, that it will be able to implement operational changes to significantly mitigate the financial effect of any revenue decline that might result from federal legislation or budget appropriation. The working cash fund is also available and may be used to temporarily fund any potentially delayed revenue payments.
- Revenues from federal sources decreased \$888,714 during 2011. After considering the decrease in direct ARRA non-recurring federal stimulus money of approximately \$950,000, recurring revenue from other federal sources actually increased in fiscal 2011. The decrease in state revenue support, net of annual state pension contributions, was approximately \$138,700 during the year. After consideration of discontinuance of non-recurring federal stimulus funding of state aid in fiscal 2010, state funding effectively decreased in fiscal 2011 by approximately \$288,700. The majority of the decrease in state revenues related to virtual elimination of state aid for the cost of regular transportation of students. The State maintained or slightly increased its level of general state aid and aid for special education needs.
- A decrease in earnings on investments of \$488,086 or approximately 64% during 2011 resulted from a decline in earnings rates for new investments of current year revenues and of proceeds from investments maturing during the year. The benefit of interest income, however, remains as a meaningful help in offsetting increased operating costs. During the continuation in fiscal 2011 of the challenging economic times, the District's principal portion of investments was preserved while investment earnings were achieved. However, the rate of investment earnings was significantly less than the years prior to 2008 and continued to be less than the previous year.
- Enrollment for the fiscal year ended June 30, 2011, based on the state of Illinois End of Year Report, was 4,486, down from 4,589 in the previous year. This decrease of 103 students from the previous year, or 2.2%, is primarily due to an anticipated general declining trend in student enrollment for the year. This effect takes into account birth trends, household demographics and the fluctuating enrollment generated from military housing in the Fort Sheridan Navy Base. Absent an approximate 200 student growth spurt related to the completion of the new military housing in fiscal 2009, typically the District has experienced minor annual or aggregate volatility in enrollment over the previous ten years, generally due to housing turnover and rebuilt facilities that accommodate fewer children.

## **North Shore School District 112 Management's Discussion and Analysis For the Year Ended June 30, 2011**

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Given the mobility rate of the Fort Sheridan housing development segment of the community, however, the District does expect to experience more annual fluctuation in its student enrollment. This could be an increase or decrease each year. However, over time, it is anticipated that the average level will be similar to that experienced in fiscal 2011. Other than the Fort Sheridan development and rebuilt homes on existing property sites, there was minimal new development in the District. Given the state of the state, national and global economics, new property development is expected to decline in future years. The District anticipates having the ability to continue to manage future enrollment fluctuations within existing facilities.

- The District continues to devote significant resources toward maintaining and improving facilities. During the 2010-2011 school year, approximately \$1.6 million was spent on capital projects for facility improvements and equipment expenditures from all funds. Significant capital projects included water line replacements, flooring, paving, HVAC and site and improvement work at most schools. The majority of the capital project expenditures were for infrastructure items. In addition, related primarily to classroom technology, increased by approximately \$1.9 million. The classroom focused investments in technology were in part enabled by an interim reevaluation of technology expenditure priorities and of curriculum design needs and costs.
- The District's total debt service expenditure for fiscal 2011 was \$7,458,272, as funded primarily by specific levies.
- During the year, the District was also able to address some of its remaining life safety capital project needs, as identified in the last statutorily required ten year architectural review of such needs in 2005. Expenditures of \$397,123 were made from previously accumulated life safety fund balance, primarily for enhancements to building security. Continued expenditure from the remainder of the life safety fund will be made in fiscal 2012 for this multi-year project.
- In consideration of all of these financial impacts, the District was able to minimize deficit spending for operating purposes in fiscal 2011 to approximately \$914,000; reduced from a plan of approximately \$1.5 million. This deficit spending primarily represented contemplated fiscally prudent use of operating fund balances to maintain and address appropriate educational, technology and capital project needs in a year which presented significant financial challenges in the form of unusual revenue restraints and expenditures commitments.
- As of June 30, 2011 remaining operating fund balances were 34% of operating fund expenditures; a level within the District's policy guidelines of maintaining operating fund balance reserves equal to at least 25% of operating fund expenditures; a resulting assigned operating fund balance reserve of \$16.4 million at June 30, 2011. The unassigned operating fund balance after fund balance restrictions and assignments is approximately \$1.6 million at June 30, 2011.

### **Overview of the Financial Statements**

This annual report consists of three parts: the introductory section, the financial section with the basic financial statements and management's discussion and analysis (this part), and a section for additional supplementary information (statistical section). The basic financial statements include two types of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

# North Shore School District 112

## Management's Discussion and Analysis

### For the Year Ended June 30, 2011

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- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

#### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies.

The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statements of activities regardless of when cash is received or paid.

The two government-wide financial statements report the District's *net assets* and how they have changed. Net assets are the difference between the District's assets and liabilities – this is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether the financial position is improving or deteriorating.
- To assess the District's overall health, one must consider additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are categorized as *Governmental Activities*. All of the District's basic services are included here, such as regular and special education, facility maintenance and operation, transportation, and administration. Property taxes, federal aid, and state formula aid finance most of these activities.

#### *Fund Financial Statements*

The District's fund financial statements provide more detailed information about the District's funds, focusing on each fund and, in particular, on its most significant or "major" funds – not the District as a whole.

- Most funds are required by state law and by bond covenants. In fiscal 2009 the state required districts to establish two additional funds; a Tort Immunity and Judgment and a Capital Projects Fund. The Tort Immunity and Judgment Fund is primarily for qualified tort claims and the cost of risk management activities. The Capital Projects Fund (previously the Site and Construction Fund) is primarily used to account for capital projects paid from prior fund balances or new debt proceeds. The former Bond and Interest Fund, was also renamed to the Debt Service Fund; its function did not substantially change.

# North Shore School District 112

## Management's Discussion and Analysis

### For the Year Ended June 30, 2011

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- Other funds, such as Working Cash Fund, established by the District to control and manage money for short- or long-term identified or contingent cash needs provided to other funds either through loans or transfers. It is similar to the District's savings account.

Fund accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs include:

- *Educational Fund* (included as part of the General Fund) – is used primarily for the delivery of educational programs to the students. Property taxes are the primary source of revenues which are also supplemented by federal and state grant and local fee revenues.
- *Operations and Maintenance Fund* – is used for expenditures made for operations, repair, and maintenance of the District's building and land. Revenue consists primarily of local property taxes.
- *Debt Service Fund* – is used for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The primary revenue source is local property taxes levied specifically for debt services.
- *Transportation Fund* – is used to account for all revenues and expenditures made for student transportation. Revenues are derived primarily from local property taxes and state reimbursement grants. Although, state funding has declined in recent years.
- *Municipal Retirement/Social Security Fund* – is used to account for the District's portion of pension contributions to the Illinois Municipal Retirement Fund, payments to Medicare, and payments to the Social Security System primary for noncertified employees. Revenue to finance contributions is derived primarily from local property taxes and personal property replacement taxes.
- *Capital Projects Fund* – is used to account for allocated fund balance or debt proceed financial resources to be used for the acquisition, construction, or capital improvement of facilities.
- *Working Cash Fund* (included as part of the General Fund) – is used to account for financial resources held by the District which are available for interfund loans or transfers to other funds.
- *Tort Immunity and Judgment Fund* (included as part of the General Fund) – is used to account for revenues and expenditures related primarily to liability insurances. Revenue consists primarily of local property taxes.
- *Fire Prevention and Safety Fund* – is used to account for state-approved life safety projects financed through serial bond issues or local property taxes levied specifically for such purposes.

The District has two categories of funds:

- *Governmental Funds:* All of the District's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets can readily be converted to cash flows – both in and out - and (2) the balances left at year-end that are available for spending.

Consequently, the governmental funds statements provide a detailed short-term view that allows one to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

# North Shore School District 112

## Management's Discussion and Analysis

### For the Year Ended June 30, 2011

Because this information does not encompass the additional long-term focus of the government-wide statements, additional schedules of information are provided to reconcile the governmental funds statements and the government-wide statements, explaining the relationship and differences between them.

- *Fiduciary Funds:* The District is the agent, or *fiduciary*, for assets that belong to others, such as the Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

#### Financial Analysis of the District as a Whole per Government-wide Financial Statements

<b>North Shore Schools District 112's Net Assets</b>				
	<b>FY 2011</b>	<b>FY 2010</b>	<b>\$ Change</b>	<b>% Change</b>
Current and other assets	\$ 98,463,525	\$ 99,271,751	\$ (808,226)	(1)%
Capital assets and land	72,824,433	72,411,340	413,093	1%
<b>Total assets</b>	<b>\$ 171,287,958</b>	<b>\$ 171,683,091</b>	<b>(395,133)</b>	<b>-%</b>
Long-term liabilities	\$ 18,543,837	\$ 24,908,680	(6,364,843)	(25)%
Other liabilities	68,682,251	67,454,175	1,228,076	2%
<b>Total liabilities</b>	<b>\$ 87,226,088</b>	<b>\$ 92,362,855</b>	<b>(5,136,767)</b>	<b>(6)%</b>
Net assets				
Invested in capital assets, net of related debt	\$ 54,337,116	\$ 46,989,074	7,348,042	16%
Restricted	4,756,707	5,332,264	(575,557)	(11)%
Unrestricted	24,968,047	26,998,898	(2,030,851)	(8)%
<b>Total net assets</b>	<b>\$ 84,061,870</b>	<b>\$ 79,320,236</b>	<b>\$ 4,741,634</b>	<b>6%</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 171,287,958</b>	<b>\$ 171,683,091</b>		

The District's operations for fiscal 2011 contributed an additional \$4,741,634 to the net assets of the District. Funds from this net asset growth combined with a \$395,133 depletion of assets resulted in a \$5,136,767 million reduction in liabilities for the year. Net assets grew to \$84,061,870 as of June 30, 2011.

The amount of net capital assets grew slightly between years, primarily as the result of facility improvements and increased technology for student learning, the cost of which approximated the annual aggregate depreciation charge. Long-term debt obligations were reduced during fiscal 2011 in accordance with scheduled debt payments. Other liabilities decreased as of June 30, 2011, primarily due to the timing of payment of certain significant services, medical claims, and certain contractor costs.

**North Shore School District 112**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

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**Changes in North Shore School District 112's Net Assets**

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**Increases (Decreases) from Governmental Activities**

	FY 2011	% Total	FY 2010	% Total	Increase (Decrease)	% Chg.
Revenues:						
Program revenues:						
Charges for services	\$ 1,004,734	1%	\$ 1,477,787	2%	\$(473,053)	9%
Operating grants and contributions	5,804,610	7%	7,019,544	7%	(1,214,934)	(17)%
State retirement contributions to TRS	8,210,912	10%	8,103,609	8%	107,303	1%
General revenues:						
Property taxes	63,984,815	78%	62,981,918	77%	1,002,897	2%
Replacement taxes	711,587	1%	548,718	1%	162,869	30%
State and Federal aid not restricted to specific purposes	1,170,390	2%	1,961,053	2%	(790,663)	(40)%
Investment earnings	301,277	-%	754,156	2%	(452,879)	(60)%
Miscellaneous	1,137,129	1%	1,159,995	1%	(22,866)	(2)%
Total revenues	82,325,454	100%	84,006,780	100%	\$(1,681,326)	(2)%

**Expenses: (1)**

Instructional services:						
Regular programs	23,853,551	31%	26,341,612	35%	(2,488,061)	(9)%
Special programs	9,544,680	12%	8,184,478	11%	1,360,202	17%
Other programs	4,178,324	5%	2,552,792	3%	1,625,532	64%
State retirement contributions	8,210,912	11%	8,103,609	8%	107,303	1%
Supporting services:						
Pupils	4,527,464	6%	3,806,825	5%	720,639	19%
Instructional staff	4,642,304	6%	5,085,905	7%	(443,601)	(9)%
District administration	1,240,978	2%	1,523,559	2%	(282,581)	(18)%
School administration	3,214,570	4%	3,188,089	5%	26,481	1%
Business operations	\$ 1,876,793	2%	\$ 1,743,562	2%	\$ 133,231	8%
Transportation	2,608,868	3%	2,844,479	4%	(235,611)	(8)%
Operations and maintenance	6,731,486	9%	6,063,593	9%	667,893	11%
Food internal services	506,030	1%	489,456	1%	16,574	3%
Central and staff services	745,392	1%	747,685	1%	(2,293)	-%
Nonprogrammed tuition charges	4,387,828	5%	5,700,280	5%	(1,312,452)	(23)%
Interest and fees on debt	1,314,640	2%	1,346,203	2%	(31,563)	(2)%

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Total expenses	\$77,583,820	100%	\$77,722,127	100%	\$ (138,307)	-%
Change in Net Assets	4,741,634		6,284,653			
Net Assets, beginning	\$79,320,236		\$73,035,583			
Net Assets, ending	\$84,061,870		\$79,320,236			

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# **North Shore School District 112**

## **Management's Discussion and Analysis**

### **For the Year Ended June 30, 2011**

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(1) To facilitate financial analysis, categories for each year are shown in more detail than used in the Statement of Activities in the government-wide financial statements. In addition, in fiscal 2011 allocation of special and other program expenses was refined resulting in reclassification of certain expenses from the general instruction category used in the prior year.

The state of Illinois limits the increase in property tax revenue to no more than the prior year's Consumer Price Index (CPI), with the exception of an additional tax base established for a year by the value of any new construction. In spite of these constraints, the District's financial position remains strong due to an expanding tax base. This tax base has historically increased due to the remodeling of older homes and the replacement of buildings with new luxury apartment or condominium complexes for residents primarily without children. The result of this new construction is additional equalized assessed valuation in property value which gives the District access to more dollars than the Consumer Price Index based inflationary increase in property taxes assessed on existing unimproved properties. For the 2011 fiscal year, the negative revenue and cash flow effect of new construction again provided more unexpected property tax revenue than the general property tax revenue levy inflationary CPI effect of 0.1%. In spite of the economic decline, there was a less than expected reduction in the level of additional new property related to fiscal 2011. However, due to poor economic conditions in fiscal 2011, the new property benefit was offset in part by the effect of successful post extension property tax assessment appeals. The combined effects most influenced by the new property factor resulted in a property tax revenue increase in fiscal 2011 of 1.6%, or \$1,002,897.

The District's total accrual based revenue in fiscal 2011 decreased 2% from \$84,006,780 to \$82,325,454, a decrease of \$1,681,326 from the prior year. However, this variance should be measured and evaluated without consideration of the On-Behalf pension plan contributions from the state. These contributions are made directly to the state's Plan not to the District. In the District's financial statements there is no economic effect as revenues and expenses are increased by equal amounts of a theoretical state contribution. On-behalf contributions that the state of Illinois appropriated for payment to the state's teachers' pension fund for employees increased 1.0% or \$107,303 from an allocation of \$8,103,609 in fiscal 2010 to \$8,210,912 in fiscal 2011. This increase is due primarily to a continued effort by the state in the last couple of years to lessen the amount of its historic deferred funding of current obligations and to cover recent plan investment losses. However, given the state's current financial condition, payment of this allocation or any future obligation is not assured.

Without consideration of On-Behalf pension plan contributions from the state, revenues in fiscal 2011 decreased \$1,788,629 or 2.4% from \$75,903,171 in fiscal 2010 to \$74,114,542 in fiscal 2011. The following are some of the more significant causes of the decrease:

A primary factor causing the increase in fiscal 2011 revenues was the economic impact of the level of property tax increase discussed above. While there was a 1.6% or \$1.0 million increase in property tax revenues, which represent 78% of District revenues, the percentage and dollar growth was less than the 5% or \$3.3 million property tax revenue growth in the prior year. The District also experienced declines in several other revenue sources. A three plus year economic trend resulted in a continued annual decrease in earnings on investments. Interest income decreased 60% on a slightly reduced invested base, resulting in \$488,086 less revenue in fiscal 2011. Another economic impact was a decrease in charges for District services and other miscellaneous revenues of approximately \$500,000. The economic effect on state and federal budgets also caused a decline during the year \$2.0 million in various forms of funding from these sources, the majority of which related to non-recurring stimulus payments in the prior year. Dealing with this declining revenue picture provided budgetary and ongoing operational challenges during the year.

## **North Shore School District 112 Management's Discussion and Analysis For the Year Ended June 30, 2011**

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The decline in state funding had a particularly negative effect on the funding of regular bus transportation. The state's funding of regular bus transportation for students decreased by approximately \$231,000 in fiscal 2011. The District was fortunate in being able to essentially cover this revenue decline by obtaining cost reductions from its outsourced transportation vendor.

Collection of the state's portion of grant funding during the year was again significantly delayed which raises concern over continued payment of funds. At this December 2011 writing the District is still owed in excess of \$1.8 million from fiscal 2011 state obligations. The economic condition of the state of Illinois does not suggest that this situation will improve in fiscal 2012. Fortunately District 112, unlike many other districts in the state, has fund balance reserves to cover delayed cash flow, or worst case, nonpayment of obligations by the state.

The total of all expenses for fiscal 2011 was \$77,583,820. This represented a less than 1%, \$138,307 decrease from prior year expenses. However, as was done with the analysis of revenue growth between years, a more representative basis is established by eliminating the effect of On-Behalf state pension plan contributions allocated to the District. After eliminating the effect of On-Behalf payments, the expense decrease in fiscal 2011 was still less than a 1% or \$245,610, resulting in accrual based expenses of \$69,372,908 in fiscal 2011 versus \$69,618,518 in fiscal 2010.

Instructional services including regular, special, and other educational programs accounted for 48.4% of all expenses, or \$37,576,555. The increase in these instructional program categories from the prior year, in the total amount of \$497,673 or 1.3%, was due primarily to teacher and support staff salary and benefit contract obligations, offset in part by the realization of the financial benefits of teachers' retirement incentive plans, reduction in students and certain reclassifications of costs to more detailed functional efforts.

Supporting services for students, instructional staff, district administration, school administration, and business operations accounted for 20% of all fiscal 2011 expenses, or \$15,502,109. The cost of these support services was also 20% of total expenses in the prior year. This consistency was the result of efforts to control costs. Additional efforts were made to reallocate resources with a stronger pupil focus. This resulted, among other things, in a 19% increase in pupil support services and an 18% decrease in district administrative costs. Support services cost included the amortized depreciation cost related to an approximate \$1.8 million investment in student computer technology during the year. The majority, of the \$133,231 increase in the accrual based business operations expenses between years was related to increased depreciation compared to actual capital expenditures in fiscal 2011.

Operations and maintenance of facilities, including depreciation expenses, net of capitalized capital project costs increased \$667,893 to \$6,731,486 in fiscal 2011. This increase primarily represents the increased attention paid to infrastructure needs during the year. The District believes its investment in capital assets is appropriate to maintain quality education services for its students in a safe and appropriately maintained environment.

Transporting students to school and providing busing for field trips and summer school accounted for 3% of all expenses. Costs decreased \$235,611, or 8%, from the prior year due primarily to the cost containment of outsourced vendor transporting services obtained through a contract bidding process performed in fiscal 2011. Overall, the District experiences a cost and efficiency benefit from outsourcing transportation services. It is anticipated that these base year cost savings will continue to be experienced in future years based on the projected bid results of a new five year contract that began with the 2010-2011 school year.

# North Shore School District 112

## Management's Discussion and Analysis

### For the Year Ended June 30, 2011

Nonprogrammed charges decreased \$1,312,452 in fiscal 2011. However, after elimination of the payment in fiscal 2010 of the nonrecurring \$1.4 million cost of facility improvements at North Suburban Special Education District (NSSSED), the District's special education cooperative, the recurring portion of these costs increased by approximately \$135,000 primarily due to addressing additional specific student needs. The majority of these services are provided by the NSSSED and other private enterprises that offered services to special education students on a tuition basis. In an effort to reduce these costs in the future, the District is working on plans to provide more of these services internally. The facility improvement costs of \$1.4 million were funded in part with federally funded non-recurring American Recovery and Reinvestment Act (ARRA) stimulus funds received in fiscal 2010 in the amount of approximately \$900,000.

Interest and fee expenses related to long-term obligations decreased by \$31,563 on the accrual basis in fiscal 2011 primarily due to scheduled payments of a reduced debt profile.

Overall, in fiscal 2011 on an accrual basis of accounting used in the government-wide financial statements, revenues of \$82,325,454 exceeded expenses of \$77,583,820, thereby increasing net assets by \$4,741,634. This compared to a \$1,247,999 decrease in modified accrual based governmental fund balances in fiscal 2011 as reflected in the District's Fund Financial Statements. The approximate \$6 million difference in 2011 net operating results is primarily due to differing accounting rules affecting the government-wide and government fund financial statements. There was approximately \$6.2 million of an additional net operational benefit related primarily to debt liabilities being recorded in the government-wide balance sheet and expended currently in the governmental fund financials. The balance of the difference in operating results was also due to differences in accounting for capital expenditures and related depreciation expenses and the deferral of certain revenues under the full accrual and modified accrual basis of accounting.

While the government-wide financial statements address the accrual based asset and liability resource allocation public reporting needs, the governmental fund financial statements is the tool primarily used by the District in comparing and managing its financial affairs, budgets and operations.

#### Financial Analysis of the District Fund Financial Statement Results

The following schedule presents a summary of all the governmental funds revenues for the fiscal year ended June 30, 2011, including the amount and percentage of increases and decreases in relation to prior year revenues:

ALL FUNDS REVENUES	Year Ended 6/30/11	% of Total	Year Ended 6/30/10	% of Total	Inc.(Dec.) from 6/30/10	% Change
Property taxes	\$ 63,984,815	77%	\$ 62,981,918	78%	\$1,002,897	2%
Earnings on investments	266,070	- %	754,156	2%	(488,086)	(65)%
Other	<u>2,982,037</u>	4%	<u>2,879,674</u>	4%	102,363	4%
Total local sources	67,232,922		66,615,748			
State sources	4,661,872	6%	4,800,845	6%	(138,973)	(3)%
On-behalf payments	8,210,912	10%	8,103,609	7%	107,303	1%
Federal sources	2,817,685	3%	3,781,072	3%	(963,387)	(25)%
Total Revenues	\$ 82,923,391	100%	\$ 83,301,274	100%	\$ (377,883)	(0.5)%

## **North Shore School District 112 Management's Discussion and Analysis For the Year Ended June 30, 2011**

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While total revenues decreased \$377,883 or 0.5% in fiscal 2011, to understand the true operating effect, the comparison is more meaningfully prepared with the elimination of the change in On-Behalf payments by the state to the state pension program. When these payments are eliminated, the fiscal 2011 revenue decrease was \$485,186 or 0.6%.

Local property taxes remain the most significant revenue source to North Shore School District 112. With an insignificant 0.1% increase in the annual Consumer Price Index (CPI) general property tax revenue inflationary factor, revenue from local taxpayers in the form of real estate taxes increased 1.6%. This increase was primarily due to the unanticipated added benefit level of continued construction of new apartment buildings and residential housing and major housing improvements, offset in part by the negative effect of successful post extension property tax appeals.

State sources of revenue decreased, by \$138,973, due primarily to an approximate \$230,000 reduction in regular bus route transportation funding. The decrease in transportation funding was offset in part by funding of increased special needs of students.

On-behalf payments that the state of Illinois pays into the state's teachers' pension fund for employees increased 1.3%, or \$107,303, based on a continued effort by the state in the last couple of years to lessen the amount of its deferred funding of current obligations and to cover investment losses realized as a result of the economic decline. These payments have an equal effect on total revenues and expenditures for the year.

Federal sources of income decreased during fiscal 2011. While the total decrease was \$963,387 or 25%, approximately \$1.2 million of the decrease related to non-recurring federal ARRA stimulus funds received in fiscal 2010 and used primarily to help fund fiscal 2010 non-recurring capital cost obligations to the District's special education cooperative; NSSED. The recurring federal source revenues increased approximately 287,000 in fiscal 2011, primarily due to an increase in funding for students in need of special education services.

Earnings on investments decreased by 65% or \$488,086 during fiscal 2011, primarily due to lower interest rates prevalent in the current economy, applied to current available revenues and proceeds from investment maturities during the year. During fiscal 2010, earnings on investments declined by 56% or \$961,798. Over the three year period since the economic decline in 2008, annual earnings on a relatively consistent principal base have declined approximately 90% or \$2.3 million.

The 4%, \$102,363 net increase in other revenue between years primarily results from the benefit of nonrecurring insurance refund revenues, higher than anticipated federal E-Rate payments and other new Green Initiative Grant Revenues.

In addition to the revenues reflected above, in fiscal 2010, there was a \$638,492 increase in other financing revenue sources primarily related to the recording of proceeds from a capital lease for computer equipment acquisitions. This revenue source was not used in fiscal 2011.

**North Shore School District 112**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

ALL FUNDS EXPENDITURES	Year Ended 6/30/11	% of Total	Year Ended (1) 6/30/10	% of Total	Inc.(Dec.) from 6/30/10	% Change
Instruction (1)	\$ 37,062,832	42%	\$ 35,525,913	44%	\$ 1,536,919	4%
On-behalf payments	8,210,912	8%	8,103,609	8%	107,303	1%
Support and comm. services	23,529,205	30%	23,621,741	30%	(92,536)	(1)%
Nonprogrammed charges (1)	4,387,828	7%	5,700,280	5%	(1,312,452)	(23)%
Debt service	7,458,272	9%	7,511,100	9%	(52,828)	(1)%
Capital outlay	3,522,341	4%	3,518,517	4%	3,824	-%
<b>Total Expenditures</b>	<b>\$ 84,171,390</b>	<b>100%</b>	<b>\$ 83,981,160</b>	<b>100%</b>	<b>\$ 190,230</b>	<b>0.02%</b>

- (1) Non-programmed charges per the above financial analysis include, in addition to the cost of "other governmental unit tuition", the addition of "private facility tuition" costs incurred per agreed student individual education plans, which are included in the "Instruction" category vs the "Non-programmed Charges" category in the financial statements.

While total expenditures increased \$190,230 or 0.02% in fiscal 2011, to understand the true operating effect, the comparison is again more meaningfully prepared with the elimination of the change in On-Behalf payments by the state to the state pension program. When these payments are eliminated, the fiscal 2011 expenditure increase was \$82,927 or 0.01%. Essentially, due to effective budgetary and operating control during 2011, total expenditures were the same in each year in spite of committed union labor base salary increases of 4% and other expenditure commitments.

The cost of instruction increased \$1,536,919 over the prior year. This 4.3% increase was due in large measure to base salaries for teachers increasing contractually an average 4%, plus health benefit increases and an approximate 3.5% increase for each qualified incremental advancement towards a Masters Degree, each as stipulated in the union contract. This cost is offset in part by the benefit effect of decreased student enrollment and of early retirement programs initially costing three annual 6% salary increases with ultimate savings realized by the lower cost of hiring new employees at a reduced cost. Support staff contractual salary increases were 4.25% for the year along with similar health benefit increases.

On-Behalf payments that the state of Illinois pays into the teachers' pension fund for employees increased 1.3%, or \$107,303, based on a continued effort by the state over the last couple of years to lessen the amount of its deferred funding of current obligations and to cover investment losses realized as a result of the economic decline. These payments have an equal effect on total revenues and expenditures for the year.

Support and community services costs overall decreased approximately 1% or \$92,536. This decrease was primarily the result of the effects of general expenditure controls, including staff reductions and minimization of administrative salaries through the general use and distribution of a consistent merit pay pool of a salary freeze approach for administrators. These cost benefits were offset in part by the effect for some, of benefit and contractual salary increases described above.

## **North Shore School District 112 Management's Discussion and Analysis For the Year Ended June 30, 2011**

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Nonprogrammed charges for tuition and service payments to other government units and private facilities overall decreased 23%, or \$1,312,452 in fiscal 2011. However, after elimination of the fiscal 2010 payment of the nonrecurring \$1.4 million cost of facility improvements at NSSD, the District's special education cooperative, the recurring portion of these costs on a modified accrual basis increased by approximately \$135,000 primarily due to addressing increased specific student needs.

Debt service expenditure decreased less than 1%, or \$52,828, due to the bond payment schedules.

Capital outlay expenditures, without consideration of Fire Prevention and Safety Fund purchased services for capital type expenditures of approximately \$397,000 in 2011 and none in 2010, remained consistent between years increasing a nominal \$3,824. This consistent increased expenditure level when compared to prior years reflects the continued emphasis by the District over the past few years to address facility improvement needs. Due to the economic changes beginning in the fall of 2008, formally anticipated increased revenue sources from new potential sales tax legislation, potential property tax and debt replacement levy opportunities became unlikely in the next few years when the capital expenditures were anticipated to be incurred. As a result, additional capital expenditures were made from existing District funds in fiscal 2009, fiscal 2010 and in fiscal 2011. This approach included planned spending in excess of \$500,000 in each of the 2009, 2010 and 2011 fiscal years, of accumulated fund balance reserves for anticipated capital expenditures on facility needs.

### *Primary Operating Funds Budgetary Highlights*

The District treats the Educational, Operations and Maintenance, Transportation, and Working Cash Funds as its primary operating funds (operating funds). This is consistent with the operating fund categorization used by the state. Prior to 2010, the District also included the Tort Immunity and Judgment Fund as an operating fund. At June 30, 2011 inclusion of this fund would add \$776,297 to the operating fund balance. The operating funds provide the resources for the District's educational program, student transportation and operations and maintenance of all facilities. Excluding the effect of other financing sources and the neutral effect of an equal amount of revenues and expenditures related to the state On-Behalf payments for TRS pension funding, operating fund revenues exceeded budget by \$566,178, and expenditures were exceeded budget by \$173,841 before consideration of fund balance transfers for capital lease payments and capital projects. After consideration of these transfers, actual effective operating fund expenditures were \$59,603 less than budgeted amounts in fiscal 2011.

The net effect after consideration of transfers was a favorable variance to the operating budget for fiscal 2011 of approximately \$601,000. The ability to essentially maintain the budgeted level of expenditures related to use of expenditure controls during the year primarily in the areas of personnel and curriculum including redesigned adoptions and implementation of a more student focused use of technology. The additional unbudgeted revenues received in fiscal 2011 were substantially from property taxes related to unanticipated continuation of new construction in the community. These revenues, net of a minor variance in expenditures, were used to reduce the planned deficit spending of \$1,502,492 in the operating funds for the year to actual deficit spending in the operating funds of \$901,544 in fiscal 2011.

The combined operating fund balance of the Educational, Operations and Maintenance, Transportation, and Working Cash Funds as of June 30, 2011 was \$22.6 million. This was a decrease of \$901,544 from the previous year's balance of \$23.5 million. As of June 30, 2011, The District's Working Cash Fund, or effective saving account, portion of the operating fund balance at June 30, 2011 of \$12.1 million approximated the \$12.0 million balance at June 30, 2010.

# North Shore School District 112

## Management's Discussion and Analysis

### For the Year Ended June 30, 2011

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Recent changes to the state reporting guidelines converted the former Site and Construction Fund to the Capital Projects Fund. Uses of the new fund have been clarified to include the costs of projects funded through transfer of previously accumulated fund balances of other funds or through debt proceeds. As of year-end, approximately \$229,000 of anticipated project costs and related fund transfers in fiscal 2011 were not reflected in the Capital Projects Fund due to project revisions during the year.

Appropriate budgetary control over all governmental expenditures is maintained with the use of a formal encumbrance system. Encumbered amounts lapse at year-end, as of June 30 of each year. All appropriations lapse at year-end and must be reestablished in the following fiscal year.

The Board of Education and the Administration will continue to develop strategies to ensure that the financial condition of the District remains sound.

#### *Debt Administration*

The District's statutory debt limit is 6.9% of the equalized assessed valuation of all taxable property located within the boundaries of the District.

2010 Equalized Assessed Value:	\$ 2,622,779,816
Debt Limit @ 6.9%	<u>180,971,807</u>
 General Obligation Debt	 <u>18,998,387</u>
Legal Debt Margin	<u>\$ 161,973,420</u>

On June 27, 2002, Standard and Poor's reviewed the financial operations of the School District and assigned a rating of "AAA". Moody's Investor Service assigned an "Aa3" rating to the refinancing of the general obligation bonds in July 2002. In March 2004, the District again refinanced \$8,896,114 of its bonds for a net present value savings of \$300,052. During fiscal 2005, the District issued \$300,000 of General Obligation Energy Performance Bonds and \$9,865,000 of Alternative Revenue Bonds (ARB). In connection with the ARB issuance, the District was again assigned a Standard and Poor's rating of "AAA". The District did not request an updated Moody's rating. During fiscal 2008 and/or 2009, both bond rating agencies, Standard and Poor's and Moody's, reviewed the financial operations of the District and updated their ratings. Standard and Poor's also reviewed and updated its rating in 2010 and 2011. As a result of these reviews and the financial results achieved, each of the ratings was made at the highest levels of "AAA" by Standard & Poor's and "Aaa" by Moody's. The District has no immediate plans to issue any significant long-term debt in the near future. Additional detailed information on long-term debt can be found in Note I of the notes to the financial statements.

#### Capital Assets

The District's investment in capital assets for its governmental activities at year-end totaled \$72,824,433, net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and building improvements, and equipment. There were \$36,928 of capital asset retirements net of \$183,127 of accumulated depreciation and \$2,911,702 of capital asset additions recorded during the year. Additions include approximately \$2 million for new computers and approximately \$500,000 for building infrastructure. Depreciation charges of \$2,461,647 were expensed in the government-wide financial statements. The District believes its investment in capital assets is appropriate to maintain quality education services to its students in a safe and appropriately maintained environment. Additional detailed information on capital assets can be found in Note H of the notes to the financial statements.

# **North Shore School District 112**

## **Management's Discussion and Analysis**

### **For the Year Ended June 30, 2011**

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#### **Financial Analysis of the District's Funds**

The District's governmental funds have a combined fund balance as of June 30, 2011 of \$26,610,694. This is a decrease of \$1,247,999 from the June 30, 2010 fund balance of \$27,858,693. In fiscal 2009 there was an increase in all District funds of \$389,031 and in fiscal 2010 there was a decrease of \$41,394. The District's objective for several years was to have a balanced budget and operating results each year. Success in achieving this annual objective through the implementation of prudent financial management enabled the District to build substantial fund balance reserves to address unexpected or unusual future financial needs. The worldwide economic decline beginning in large measure in the fall of 2008 leading to the current and continued economic recession, certainly qualifies as one of these unexpected or unusual events. To address this economic challenge and still be able to deliver quality education to students, through budgetary spending controls, the District used a nominal amount of \$344,000 of operating fund balances in fiscal 2010, including spending in the Capital Projects Fund. In fiscal 2009 there was an addition \$306,200 to the operating fund balance, after factoring out the regulatory establishment of a separate Tort Immunity and Judgment Fund.

In fiscal 2011, the District incurred a deficit spending reduction of operating fund balances of \$901,544. As described above, a reduction in operating fund balances was planned and budgeted for 2011. This was done in order to maintain a desired level of education in a year focused with significant financial challenges of unusual reductions in revenue for the year and continued expenditure commitments, particularly in the form of bargained employment contracts. The District determined that this was an appropriate and anticipated purpose for use of fund balances built up in prior years. Authorized use of operating fund balances was provided in a fiscally responsible manner. This was done through a Budget Deficit Reduction (BDR) review process implemented to ensure that operational methodologies were reviewed for maximum efficiency and effectiveness, that expenditures were reduced where possible and that reasonably available revenues were maximized in determining the appropriate level of fund balances to be used. This expenditure control and operational review approach was used throughout the year, resulting in an approximate \$601,000 reduction in anticipated deficit spending use of operating fund balances in fiscal 2011.

In connection with the fiscal 2012 budget the District has continued its Budget Deficit Reduction (BDR) process where there is a planned equal and shared approach between current year expenditure reductions and use of fund balance reserves; adhering to the parameter of not reducing operating fund reserve balances below 25% of operating fund expenditures. The District believes this is a responsible approach to fund balance use given the current economic times. It is anticipated that this BDR approach will be used in future years until the economy improves and the District has a greater opportunity for net expenditure reduction through negotiation of new labor contracts and other expenditure commitments. This opportunity begins in large measure with the certified union contract which terminates effective as of June 30, 2012. Ultimately, the District's goal is to return to the objective of achieving annual balanced budgets.

The following is a summary of the changes and major impacts on the various District funds during the 2011 fiscal year.

**North Shore School District 112**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

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The *Educational Fund* (included as part of the General Fund) fund balance at June 30, 2011 was \$6,038,740. This fund showed a decrease of \$447,632 from the prior year. This planned deficit spending was, primarily related to reduced levels of annual property tax revenue increases compared to prior years and the need to fulfill expenditure commitments primarily related to labor contracts while maintaining the desired level of education for students. During the year expenditures, included those needed, to enhance classroom technology and improve school facilities. An investment in excess of \$2 million was made in a computer refresh and redesign program for students, focused on enhanced delivery of curriculum.

During the year capital project and equipment, primarily technology equipment spending, including capital leases, was approximately \$2.3 million. With increased property tax revenues and through a variety of operating adjustments and expenditure reductions, including monitoring level administrative merit based salary and certain personnel adjustments, the District was able to address the revenue and expenditure challenges, maintain and enhance the quality of student learning and reduce the planned deficit spending for the year by approximately \$655,000.

The *Operations and Maintenance Fund* fund balance decreased \$511,891. The expenditures from fund balances accumulated in prior years were in accordance with a plan to use such funds for identified future capital projects. As a result of continued operational and expenditure control during the year, along with the benefit of additional unanticipated property tax revenue, the amount of deficit spending of fund balances, after fund transfers including a planned transfer of current year investment earnings from the Working Cash Fund, was approximately \$29,000 less than plan. In fiscal 2011 the majority of the projects were for facility infrastructure improvements such as water lines, flooring, HVAC units and other facility improvements.

The *Working Cash Fund* (included as part of the General Fund) fund balance as of June 30, 2011 remained at approximately \$12 million. The actual increase for the year, after a planned transfer of current year investment earnings, \$76,167, to the Operations and Maintenance Fund was \$55,326. As a result, the District was able to maintain a substantial financial reserve to continue to address future financial needs and economic challenges.

The *Fire Prevention and Safety Fund* decreased by \$404,054 during fiscal 2011 due primarily to the undertaking of a project to enhance security in all District buildings. This project will continue and will be completed in fiscal 2012. At the completion of the project it is anticipated that the majority of the Life Safety fund balance will be expended.

The *Capital Projects Fund* fiscal 2011 expenditures of \$400,711 were fully funded through transfers from the Educational and Operations and Maintenance Funds, resulting in a \$0 change in the zero balanced fund balance. The expenditures were lower than those planned to be spent from previously accumulated funds for such purposes by approximately \$229,000 due to lower than anticipated costs, funded through Operating Fund transfers and project plan adjustments primarily related to infrastructure improvements.

## **North Shore School District 112 Management's Discussion and Analysis For the Year Ended June 30, 2011**

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In the *Transportation Fund*, there was a nominal increase of fund balance during fiscal 2011 of \$2,653 primarily as a result of contractual changes for outsourced services resulting from a bid process during the year process for a five year contract, offset by the effect of reduced regular transportation funding of approximately \$226,000 by the state. As of June 30, 2011 there remains an accumulated fund balance of \$743,803. The effects of the state's change in determining reimbursements and overall reduction in the same have been incorporated in future projected financial results. As an offset, in part, the annual financial benefit resulting from cost savings from operating efficiencies of an outsourced operation is anticipated to continue and potentially increase in future years with the newly bid five year contract which began with the 2010-2011 school year.

The *Municipal Retirement/Social Security Fund* remained relatively unchanged during the year with a fund balance of \$952,599 at June 30, 2011 compared to \$947,398 at June 30, 2010.

The *Debt Service Fund* had a surplus for the year of \$56,029. The fund increased from \$2,079,049 to \$2,135,078. The surplus for this fund comes primarily from interest earnings and from revenue from an additional 1% assessment factor by the Lake County Clerk to help insure that sufficient taxes are collected to meet the principal and interest obligations of District bondholders.

### **Initiatives**

Since consolidation of the School District in 1993, the District has operated under a framework of an overall mission statement suggested by strategic goals and objectives. Throughout this period, the District has measured its success in achieving its goals and objectives with positive results. Periodically, the Board of Education, along with input from District Administration and community members, has updated the strategic goals and objectives.

During the 2009-2010 school year, North Shore School District 112 worked with the community and staff to develop a revised five year strategic plan. The plan included updating the District's mission statement, belief statements, operating parameters, strategies and action steps. The plan is intended to guide the work of the District over the long term, with specific action steps to achieve the various strategies adopted for implementation. Results of these action steps will be evaluated along with the relevance of the plan on an annual basis, with appropriate changes being made as they are identified.

### **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was unaware of any existing circumstances that would adversely affect its financial health in the future. Like all school districts in the state as well as other governmental bodies and companies throughout the world, the District anticipates facing financial challenges during the aftermath of the economic downturn beginning in the fall of 2008. In addition there are other more specific potentials for additional financial challenges to the District including potential loss of the higher level of federal impact aid and any unanticipated costs of negotiated labor contracts. However, unlike many other entities and other school districts, District 112 has financial reserves available to help address this situation. These reserves have been accumulated as a result of sound financial management. This management approach will be continued in navigating through the financial challenges provided by the current economy.

District management and its Board of Education are actively in the process of continually adjusting operations to meet the universal funding as well as district specific challenges.

## **North Shore School District 112 Management's Discussion and Analysis For the Year Ended June 30, 2011**

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Since the passage of the 1997 building improvements referendum, the twelve school facilities have been upgraded with new heating, ventilation, electrical, roofing and technology infrastructure, handicapped accessibility, and exterior site improvements. Recent projects, including those performed primarily for fire prevention and life safety work funded by the \$9.9 million May 2005 bond issue, have continued this upgrading process. They have included roofs, plumbing and sewer systems, boilers, tile, enhanced security systems, and related asbestos abatements. An additional \$10 million of replacement debt capacity is estimated to become available in 2015 to facilitate addressing facility improvement needs. The District will continue maintaining its aged facilities in a responsible manner until there is a longer-term opportunity to rebuild them. The rebuilding process is a primary theme in the long-term strategic plan with a logic target date to consider pursuit of bond funding by potential referendum in 2014 when existing general obligation building bond obligations expire and related levy amounts could be continued and used to fund new bonds.

The District expects recent enrollment growth from its Highwood and Fort Sheridan locations to have reached a stabilized level. Although there will be annual enrollment fluctuations related to the mobility of this student population, the District believes it is manageable. In fact, recent enrollment projections suggest that near term aggregate enrollment will decrease. Administration and the Board are continually working on analyzing the growth and the impact on District facilities. Recent growth has been absorbed in existing facilities without the need for a request for additional local taxpayer funding. Additional state and federal funding sources have been negotiated with the help of local legislators to support the impact of anticipated growth in the number of military students within the District. To date, the District has been able to obtain additional annual state and federal funding sources estimated to eventually be as much as \$1 million toward the funding of the impact of new military housing. The timing of the receipt of these funds at that level, however, will likely be delayed by regulation for two years. The Working Cash Fund may be used to temporarily fund any delayed payments. The first federal payment of approximately \$660,000 was received in fiscal 2009, which was deferred for recognition in future years in consideration of accounting for the regulatory lag periods. Continued federal funding of the majority of the payments is also subject to renewed legislative authorization approvals, which are under challenge at this point. The current Federal Impact Aid payments to the District at an approximate \$4,200 per student level versus a potential \$800 per student level for the longer term is also dependent on the success of the build out of naval housing in all area district communities affected by the local naval base. The construction of housing within the District has been completed. Achieving the regulatory student enrollment impact requirements to receive the higher payments is a risk given the effect of the economy on new construction and on the naval housing project. As a result, continued funding of impact aid above the approximately \$800 per federally connected students is not assured. The District believes however, that it will be able to implement operational changes to significantly mitigate the financial effect of any revenue decline that might result from unfavorable changes in federal legislation or budget appropriations.

The District's employment groups are under contract as follows: The current teaching staff contract extends through June 30, 2012. The more significant provisions of the contract provide for average salary increases of 3.9% for three years plus an increase in the District's payment for family health insurance coverage graduating from 20% to 25% over the three year term of the contract. The District's contract with educational support personnel expires on June 30, 2013. Under the terms of this contract salaries increase by 4.25% per year through June 30, 2011 and then by 2 1/2% per year. Health insurance benefits are similar to those provided per the teachers' contract. The District believes the contracts were competitive with those of surrounding districts and through negotiation of new contracts will strive to maintain a competitive approach with heightened sensitivity to current economic conditions.

**North Shore School District 112**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

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In current economic times, maintaining a consistent, much less an expanded level, of federal and state funding is also a challenge. In particular for District 112, there is a concern over the ability to receive Federal Impact Aid related to military students at the level currently received. The District has successfully obtained legislative relief in this regard and continues its pursuit of maintaining existing or similar beneficial enabling legislation. In addition, the current financial condition of the state of Illinois creates a concern over the ability of the state to sustain its level of financial support to schools including its ability to pay the current commitments. This concern is mitigated by the fact that the state does have a taxation funding plan to assist in resolving its financial situation. In addition, District 112 is fortunate that in percentage terms is not nearly as dependant on state funding as many other districts.

If these financial concerns materialize, however, the District will make appropriate operational adjustments to address the financial impacts.

District management and its Board believe that they, along with the support of our capable community invested in the benefits of education, will be able to address these financial challenges in a fiscally prudent manner, maintaining the financial soundness of the District.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, investors, and creditors with a general overview of the District's finances. Should you have questions about this report or need additional financial information, contact the Chief Financial Officer, 1936 Green Bay Road, Highland Park, Illinois 60035-3112.

## BASIC FINANCIAL STATEMENTS

**North Shore School District 112**  
**STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES**  
June 30, 2011

**ASSETS**

Cash and investments	\$ 63,755,115
Receivables (net of allowance for uncollectibles):	
Interest	44,322
Property taxes	31,571,525
Replacement taxes	87,586
Accounts	151,417
Intergovernmental	2,146,822
Prepaid items	217,023
Other current assets	303,432
Net pension asset	23,345
Deferred charges	162,938
Capital assets:	
Land	3,844,995
Depreciable buildings, property, and equipment, net	<u>68,979,438</u>
Total assets	<u>171,287,958</u>

**LIABILITIES**

Accounts payable	3,530,680
Salaries and wages payable	3,966,181
Compensated absences	70,537
Payroll deductions payable	75,787
Claims payable	342,000
Interest payable	202,328
Unearned revenue	60,494,738
Long-term liabilities:	
Due within one year	4,146,273
Due after one year	<u>14,397,564</u>
Total liabilities	<u>87,226,088</u>

**NET ASSETS**

Invested in capital assets, net of related debt	54,337,116
Restricted For:	
Debt service	2,097,395
Student transportation	749,893
Retirement benefits	953,535
Tort immunity	776,297
Capital projects	179,587
Unrestricted	<u>24,968,047</u>
Total net assets	<u>\$ 84,061,870</u>

The accompanying notes are an integral part of this statement.

# North Shore School District 112

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

Functions / Programs	Expenses	PROGRAM REVENUES		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
Governmental activities				
Instruction:				
Regular programs	\$ 23,853,551	\$ 687,257	\$ 892,656	\$ (22,273,638)
Special programs	12,793,825	-	3,364,133	(9,429,692)
Other instructional programs	5,317,007	35,166	430,644	(4,851,197)
State retirement contributions	8,210,912	-	8,210,912	-
Support services:				
Pupils	4,527,464	-	-	(4,527,464)
Instructional staff	4,642,304	-	114,354	(4,527,950)
General administration	1,240,978	-	-	(1,240,978)
School administration	3,214,570	-	-	(3,214,570)
Business	2,511,464	128,973	313,853	(2,068,638)
Transportation	2,608,868	2,361	688,970	(1,917,537)
Operations and maintenance	6,602,845	150,977	-	(6,451,868)
Central	738,645	-	-	(738,645)
Community services	6,747	-	-	(6,747)
Interest and fees	1,314,640	-	-	(1,314,640)
Total governmental activities	<u>\$ 77,583,820</u>	<u>\$ 1,004,734</u>	<u>\$ 14,015,522</u>	<u>(62,563,564)</u>
General revenues:				
Taxes:				
Real estate taxes, levied for general purposes				49,074,388
Real estate taxes, levied for specific purposes				9,128,833
Real estate taxes, levied for debt service				5,781,594
Personal property replacement taxes				711,587
State aid-formula grants				1,170,390
Investment earnings				301,277
Miscellaneous				1,137,129
Total general revenues				<u>67,305,198</u>
Change in net assets				4,741,634
Net assets, beginning of year				<u>79,320,236</u>
Net assets, end of year				\$ 84,061,870

The accompanying notes are an integral part of this statement.

# North Shore School District 112

Governmental Funds

## BALANCE SHEET

June 30, 2011

With Comparative Totals for June 30, 2010

	General	Operations and Maintenance	Transportation	Municipal Retirement / Soc. Sec.
<b>ASSETS</b>				
Cash and investments	\$ 48,987,344	\$ 7,231,468	\$ 1,367,208	\$ 1,709,239
Receivables (net of allowance for uncollectibles):				
Interest	33,725	5,405	895	1,299
Property taxes	24,792,416	2,903,633	855,835	700,558
Replacement taxes	-	44,814	22,772	20,000
Accounts	138,757	12,660	-	-
Intergovernmental	1,816,016	-	330,806	-
Prepaid Items	217,023	-	-	-
Other current assets	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 75,985,281</u>	<u>\$ 10,197,980</u>	<u>\$ 2,577,516</u>	<u>\$ 2,431,096</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable	\$ 2,634,670	\$ 681,722	\$ 114,746	\$ -
Salaries and wages payable	3,966,181	-	-	-
Compensated absences	63,623	6,914	-	-
Payroll deductions payable	-	-	-	75,787
Claims payable	342,000	-	-	-
Deferred revenue	50,071,796	5,816,276	1,718,967	1,402,710
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>57,078,270</u>	<u>6,504,912</u>	<u>1,833,713</u>	<u>1,478,497</u>
<b>Fund balances:</b>				
Nonspendable	217,023	-	-	-
Restricted	776,297	2,029,054	98,241	952,599
Assigned	16,334,417	1,664,014	645,562	-
Unassigned	1,579,274	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balance	<u>18,907,011</u>	<u>3,693,068</u>	<u>743,803</u>	<u>952,599</u>
Total liabilities and fund balance	<u>\$ 75,985,281</u>	<u>\$ 10,197,980</u>	<u>\$ 2,577,516</u>	<u>\$ 2,431,096</u>

The accompanying notes are an integral part of this statement.

Debt Service	Capital Projects	Fire Prevention and Safety	Total 2011	2010
\$ 3,493,925	\$ 97,256	\$ 868,675	\$ 63,755,115	\$ 63,839,212
2,370	-	628	44,322	159,450
1,631,766	-	687,317	31,571,525	31,969,443
-	-	-	87,586	82,143
-	-	-	151,417	104,776
-	-	-	2,146,822	2,549,258
-	-	-	217,023	12,500
303,432	-	-	303,432	323,728
<u>\$ 5,431,493</u>	<u>\$ 97,256</u>	<u>\$ 1,556,620</u>	<u>\$ 98,277,242</u>	<u>\$ 99,040,510</u>
\$ 801	\$ 97,256	\$ 1,485	\$ 3,530,680	\$ 2,068,172
-	-	-	3,966,181	3,835,275
-	-	-	70,537	46,087
-	-	-	75,787	877
-	-	-	342,000	1,022,611
3,295,614	-	1,376,000	63,681,363	64,208,795
<u>3,296,415</u>	<u>97,256</u>	<u>1,377,485</u>	<u>71,666,548</u>	<u>71,181,817</u>
303,432	-	-	520,455	336,228
1,831,646	-	179,135	5,866,972	779,928
-	-	-	18,643,993	18,402,840
-	-	-	1,579,274	8,339,697
<u>2,135,078</u>	<u>-</u>	<u>179,135</u>	<u>26,610,694</u>	<u>27,858,693</u>
<u>\$ 5,431,493</u>	<u>\$ 97,256</u>	<u>\$ 1,556,620</u>	<u>\$ 98,277,242</u>	<u>\$ 99,040,510</u>

North Shore School District 112  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
For the Year Ended June 30, 2011

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Total fund balances - governmental funds. \$ 26,610,694

Amounts reported for governmental activities in the statement of net assets are different because:

Net capital assets used in governmental activities and included in the statement of net assets do not require the expenditure of financial resources and, therefore, are not reported in the governmental funds balance sheet. 72,824,433

Certain revenue receivables of the District are recognized in the statement of net assets do not provide current financial resources and are deferred in the governmental funds balance sheet. 3,349,563

Interest on long-term liabilities (interest payable) accrued in the statement of net assets will not be paid with current financial resources and, therefore, is not recognized in the governmental funds balance sheet. (202,328)

Long-term assets included in the statement of net assets are not collectible within the current period or soon enough thereafter to pay liabilities of the current period. Long-term liabilities included in the statement of net assets are not due and payable in the current period and, accordingly, are not included in the governmental funds balance sheet. (18,520,492)

Net assets of governmental activities \$ 84,061,870

The accompanying notes are an integral part of this statement.

# North Shore School District 112

## Governmental Funds

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2011

With Comparative Actual Totals for the Year Ended June 30, 2010

	General	Operations and Maintenance	Transportation	Municipal Retirement / Soc. Sec.
Revenues				
Property taxes	\$ 48,161,505	\$ 5,726,268	\$ 1,659,788	\$ 1,327,830
Replacement taxes	135,520	44,814	185,012	346,241
State aid	12,183,814	-	688,970	-
Federal aid	2,817,685	-	-	-
Interest	208,853	27,642	6,085	6,636
Other	1,879,966	345,439	45,045	-
Total revenues	65,387,343	6,144,163	2,584,900	1,680,707
Expenditures				
Current:				
Instruction:				
Regular programs	23,058,779	-	-	301,238
Special programs	8,693,876	-	-	337,222
Other instructional programs	5,623,669	-	-	186,731
State retirement contributions	8,210,912	-	-	-
Support services:				
Pupils	4,049,508	-	-	119,379
Instructional staff	3,872,817	-	-	158,848
General administration	1,215,043	-	-	23,779
School administration	3,061,362	-	-	151,645
Business	1,315,582	39,053	-	75,100
Transportation	2,892	-	2,582,247	23,729
Operations and maintenance	-	5,487,088	-	219,855
Central	649,428	-	-	77,980
Community services	6,747	-	-	-
Nonprogrammed charges	3,249,145	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other	-	-	-	-
Capital outlay	2,344,960	776,670	-	-
Total expenditures	65,354,720	6,302,811	2,582,247	1,675,506
Excess (deficiency) of revenues over expenditures	32,623	(158,648)	2,653	5,201
Other financing sources (uses)				
Transfers in	-	76,167	-	-
Transfers (out)	(428,560)	(429,410)	-	-
Capital lease proceeds	-	-	-	-
Total other financing sources (uses)	(428,560)	(353,243)	-	-
Net change in fund balance	(395,937)	(511,891)	2,653	5,201
Fund balance, beginning of year (as restated, see Note O)	19,302,948	4,204,959	741,150	947,398
Fund balance, end of year	\$ 18,907,011	\$ 3,693,068	\$ 743,803	\$ 952,599

The accompanying notes are an integral part of this statement.

Debt Service	Capital Projects	Fire Prevention and Safety	Total 2011	2010	
\$ 5,781,594	\$ -	\$ 1,327,830	\$ 63,984,815	\$ 62,981,918	
-	-	-	711,587	548,718	
-	-	-	12,872,784	12,904,454	
-	-	-	2,817,685	3,781,072	
13,915	-	2,939	266,070	754,156	
-	-	-	2,270,450	2,330,956	
<u>5,795,509</u>	<u>-</u>	<u>1,330,769</u>	<u>82,923,391</u>	<u>83,301,274</u>	
-	-	-	23,360,017	24,790,821	
-	-	-	9,031,098	8,586,511	
-	-	-	5,810,400	3,113,508	
-	-	-	8,210,912	8,103,609	
-	-	-	4,168,887	3,806,825	
-	-	-	4,031,665	4,775,235	
-	-	-	1,238,822	1,521,004	
-	-	-	3,213,007	3,186,384	
-	-	397,123	1,826,858	1,389,022	
-	-	-	2,608,868	2,844,479	
-	-	-	5,706,943	5,353,534	
-	-	-	727,408	725,205	
-	-	-	6,747	20,053	
-	-	-	3,249,145	4,735,353	
6,480,399	-	-	6,480,399	6,333,115	
977,873	-	-	977,873	1,177,985	
-	400,711	-	3,522,341	3,518,517	
<u>7,458,272</u>	<u>400,711</u>	<u>397,123</u>	<u>84,171,390</u>	<u>83,981,160</u>	
<u>(1,662,763)</u>	<u>(400,711)</u>	<u>933,646</u>	<u>(1,247,999)</u>	<u>(679,886)</u>	
1,718,792	400,711	-	2,195,670	3,062,261	
-	-	(1,337,700)	(2,195,670)	(3,062,261)	
-	-	-	-	638,492	
<u>1,718,792</u>	<u>400,711</u>	<u>(1,337,700)</u>	<u>-</u>	<u>638,492</u>	
56,029	-	(404,054)	(1,247,999)	(41,394)	
<u>2,079,049</u>	<u>-</u>	<u>583,189</u>	<u>27,858,693</u>	<u>27,900,087</u>	
<u>\$ 2,135,078</u>	<u>\$ -</u>	<u>\$ 179,135</u>	<u>\$ 26,610,694</u>	<u>\$ 27,858,693</u>	

**North Shore School District 112**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

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

Net change in fund balances - total governmental funds	\$ (1,247,999)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.	413,093
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Certain revenues included in the statement of activities do not provide current financial resources and, therefore, are deferred in the fund statements.	(588,528)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	<u>6,165,068</u>
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Change in net assets of governmental activities	<u><u>\$ 4,741,634</u></u>
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The accompanying notes are an integral part of this statement.

North Shore School District 112  
Agency Fund  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
June 30, 2011

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	Student Activity Fund
<hr/>	
ASSETS	
Cash and investments	\$ <u>229,673</u>
LIABILITIES	
Due to student groups	\$ <u>229,673</u>

The accompanying notes are an integral part of this statement.

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of North Shore School District 112 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

1. Reporting Entity

The District is located in Lake County, Illinois. The District is governed by an elected Board of Education. The Board of Education maintains final responsibility for all personnel, budgeting, taxing, and debt matters.

The District includes all funds of its operations that are controlled by or dependent upon the District as determined on a basis of financial accountability. Financial accountability includes appointment of the organization's governing body, imposition of will, and fiscal dependency. The accompanying financial statements include only those funds of the District, as there are no organizations for which it has financial

Also, the District is not included as a component unit in any other governmental reporting entity, as defined by GASB pronouncements.

2. Fund Accounting

The accounts of the District are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial

Funds are classified into the following categories: governmental and fiduciary.

Governmental funds are used to account for all or most of the District's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the servicing of general long-term debt (Debt Service Fund), and the acquisition or construction of major capital facilities (Capital Projects Fund). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District.

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the nonfiduciary activities of the District. The effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

a. General Fund

The General Fund includes the Educational Fund Account, the Working Cash Fund Account, and the Tort Immunity and Judgment Fund Account. The Educational Fund Account is the District's primary operating account. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Working Cash Fund Account is for the financial resources held by the District to be used as temporary interfund loans for working capital requirements. Money loaned by the Working Cash Fund Account to other funds must be repaid within one year. As allowed by the School Code of Illinois, this Fund may be partially abated to any fund in need as long as the District maintains a balance in the Working Cash Fund Account of at least .05% of the District's current equalized assessed valuation. The Tort Immunity and Judgment Fund Account is used to account for revenues derived from a specific property levy and state reimbursement grants and expenditures of these monies is for risk management activities.

b. Special Revenue Funds

The special revenue funds are used to account for and report the proceeds of specific revenue sources (other than those accounted for in the Debt Service, Capital Projects, or fiduciary funds) that are legally restricted to expenditures for specified purposes.

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Government-Wide and Fund Financial Statements (Continued)

b. Special Revenue Funds (Continued)

Each of the District's special revenue funds has been established as a separate fund in accordance with the fund structure required by the state of Illinois for local educational agencies. These funds account for local property taxes restricted to specific purposes. A brief description of the District's special revenue funds is as follows:

*Operations and Maintenance Fund* - is used for expenditures made for operations, repair, and maintenance of the District's building and land. Revenue consists primarily of local property taxes.

*Transportation Fund* - accounts for all revenue and expenditures made for student transportation. Revenues are derived primarily from local property taxes and state reimbursement grants.

*Municipal Retirement/Social Security Fund* - accounts for the District's portion of pension contributions to the Illinois Municipal Retirement Fund, payments to Medicare, and payments to the Social Security System for noncertified employees. Revenue to finance contributions is derived primarily from local property taxes and personal property replacement taxes.

c. Debt Service Fund

The *Debt Service Fund* - is used for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The primary revenue source is local property taxes levied specifically for debt service.

d. Capital Projects Funds

*Capital Projects Fund* - accounts for financial resources to be used for the acquisition or construction of major capital facilities. Revenues are derived from property taxes, bond proceeds, or transfers from other funds.

The *Fire Prevention and Safety Fund* - accounts for state-approved life safety projects financed through serial bond issues or local property taxes levied specifically for such purposes.

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Government-Wide and Fund Financial Statements (Continued)

e. Fiduciary Fund

The Fiduciary Fund accounts for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds.

The *Agency Funds* - includes Student Activity Funds and Convenience Accounts. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. Although the Board of Education has the ultimate responsibility for Agency Funds, they are not local education agency funds. Student Activity Funds account for assets held by the District which are owned, operated, and managed generally by the student body, under the guidance and direction of adults or a staff member, for educational, recreational, or cultural purposes. They account for activities such as student yearbook, student clubs and council, and scholarships. Convenience Accounts account for assets that are normally maintained by a local education agency as a convenience for its faculty, staff, etc.

4. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the agency fund statements. Revenues and additions are recorded when earned, and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e. intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period and soon enough thereafter to pay liabilities of the current period. The District considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues that are paid to the District by the Illinois State Board of Education are considered available if vouchered by year-end. Expenditures generally are recorded when a fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Property taxes, interest, and intergovernmental (grant) revenues associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The District reports unearned revenue on its financial statements. Unearned revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

5. Budgetary Data

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted at the fund level for the governmental funds. The annual budget is legally enacted and provides for a legal level of control at the fund level. All annual budgets lapse at fiscal year-end.

6. Deposits and Investments

State statutes authorize the District's Treasurer to invest in obligations of the U.S. Treasury, The Illinois Funds, Illinois School District Liquid Assets Fund Plus, certain highly rated commercial paper, corporate bonds, repurchase agreements, and money market mutual funds registered under the Investment Company Act of 1940, with certain restrictions. Investments are stated at fair value. Changes in the fair value of investments are recorded as investment income.

7. Personal Property Replacement Taxes

Personal property replacement tax revenues are first allocated to the Municipal Retirement/Social Security Fund, with the balance allocated at the discretion of the District.

8. Capital Assets

Capital assets, which include land, buildings, and equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$500 for furniture and equipment and \$100,000 for buildings and improvements with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Capital Assets (Continued)

Depreciation of capital assets is provided over the estimated useful lives using the straight-line method and is reflected for informational purposes only. Depreciation of capital assets is not charged to operations of the District. The estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	40
Land improvements	20
Furniture, equipment, and vehicles	5 - 10

9. Prepaid Items

Prepaid items, primarily insurance premiums and maintenance agreements, are recorded at cost and amortized over the term of the underlying agreements. Reported prepaid expenditures are equally offset by fund balance reserves, which indicate that they do not constitute "available spendable resources" even though they are a component of current net assets.

10. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Expenditures for compensated absences are recognized in the governmental funds as salary and benefits to the extent they are paid during the year or within sixty days after the end of the fiscal year. The liability for the remainder of the vested compensated absences is recorded in the statement of net assets.

11. Comparative Total Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. Restricted Net Assets

For the government-wide financial statements, net assets are reported as restricted when constraints placed on net assets are either: (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, (2) imposed by law through constitutional provisions, or (3) imposed by enabling legislation. All of the District's restricted net assets were restricted as a result of enabling

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

14. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

15. Fund Balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), which was adopted by the District as of the fiscal year ended June 30, 2011. In the fund financial statements, governmental funds now report five components of fund balance: nonspendable, restricted, committed, assigned, and unassigned.

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Fund Balance (Continued)

- a. *Nonspendable* - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The nonspendable in form criteria includes items that are not expected to be converted to cash such as prepaid items or inventories.
- b. *Restricted* - refers to amounts that are subject to outside restrictions such as creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through enabling legislation. Special revenue funds are by definition restricted for those specified purposes.
- c. *Committed* - refers to 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 (the Board of Education). The Board of Education commits fund balances by passing a resolution. Amounts committed cannot be used for any purpose unless the District removes or changes the specific use by taking the same type of formal action it employed to previously commit those funds.
- d. *Assigned* - refers to amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted or committed. Intent may be expressed by the Board of Education or the individual the Board of Education delegates the authority to assign amounts to be used for specific purposes. The Board of Education delegated this authority to the Superintendent or designee.
- e. *Unassigned* - refers to all spendable amounts not contained in the other four classifications described above. In funds other than the general fund, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally they act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

The District also has a contingency reserve policy. The policy states that unrestricted reserves in the operating funds shall be maintained at a level equal to approximately 25% of the current year expenditures and transfers exclusive of on-behalf payments. The operating budget is composed of the Educational, Operations and Maintenance, Transportation, and Working Cash Funds.

See Note J for additional detail on the components of the General Fund's fund balance at June 30, 2011.

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide of Net Assets

The governmental funds balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, included in the statement of net assets, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.” The details of this difference are as follows:

General obligation bonds	\$ (18,145,000)
Debt certificates	(130,000)
Capital leases	(666,867)
Compensated absences	(56,520)
Other postemployment benefits	23,345
Deferred charges and unamortized charges	<u>454,550</u>
Net adjustment to reduce fund-balance total governmental funds to arrive at net assets of governmental activities	<u>\$ (18,520,492)</u>

2. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, Fund Balances and the Government-wide Statement of Activities

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets - governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period." The details of this difference are as follows:

Capital outlay	\$ 2,691,637
Depreciation expense	<u>(2,278,544)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets - governmental activities	<u>\$ 413,093</u>

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(Continued)

2. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds." The details of this difference are as follows:

Principal repayments	
General obligation bonds	\$ 6,135,000
Debt certificates	30,000
Capital leases	315,399
Deferred charges and unamortized premium	(181,950)
Interest payable	(154,817)
Compensated absences	(1,909)
Other postemployment benefits	<u>23,345</u>
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets - governmental activities	<u>\$ 6,165,068</u>

NOTE C - DEPOSITS AND INVESTMENTS

At June 30, 2011, the District's cash and investments consisted of the following:

	<u>Governmental</u>	<u>Fiduciary</u>	<u>Total</u>
Cash and investments	\$ <u>63,755,115</u>	\$ <u>229,673</u>	\$ <u>63,984,788</u>

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

For disclosure purposes, this amount is segregated into the following components: 1) cash on hand; 2) deposits with financial institutions, which include amounts held in demand accounts, savings accounts, and nonnegotiable certificates of deposit; and 3) other investments, which consist of all investments other than certificates of deposit, as follows:

	<u>Total</u>
Cash on hand	\$ 1,400
Deposits with financial institutions	51,831,955
The Illinois Funds	353,819
Illinois School District Liquid Asset	7,780,453
Other investments	<u>4,017,161</u>
	<u>\$ 63,984,788</u>

At June 30, 2011, the District has the following other investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Percentage of Total</u>
Federal Home Loan Bank	\$ 491,901	12/27/2013	12.2%
U.S. Treasury Note	1,238,358	5/15/2012	30.8%
U.S. Treasury Note	83,254	8/15/2012	2.1%
U.S. Government - FICO Strips	71,645	3/7/2012	1.8%
U.S. Government - FICO Strips	88,469	4/6/2012	2.2%
U.S. Government - FICO Strips	94,380	5/2/2012	2.3%
U.S. Government - FICO Strips	103,321	5/2/2012	2.6%
U.S. Government - FICO Strips	80,456	5/11/2012	2.0%
U.S. Government - FICO Strips	46,665	5/3/2012	1.2%
U.S. Government - FICO Strips	29,782	6/6/2012	0.7%
U.S. Government - FICO Strips	106,063	6/6/2012	2.6%
U.S. Government - FICO Strips	35,722	6/27/2012	0.9%
U.S. Government - FICO Strips	30,716	8/3/2012	0.8%
U.S. Government - FICO Strips	80,259	8/3/2012	2.0%
U.S. Government - FICO Strips	28,731	8/8/2012	0.7%
U.S. Government - FICO Strips	10,891	9/7/2012	0.3%

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Percentage of Total</u>
U.S. Government - FICO Strips	61,236	10/5/2012	1.5%
U.S. Government - FICO Strips	164,943	10/5/2012	4.1%
U.S. Government - FICO Strips	34,611	10/6/2012	0.9%
U.S. Government - FICO Strips	30,636	11/2/2012	0.8%
U.S. Government - FICO Strips	86,968	11/2/2012	2.2%
U.S. Government - FICO Strips	148,209	11/11/2012	3.7%
U.S. Government - FICO Strips	93,822	11/30/2012	2.3%
U.S. Government - FICO Strips	102,547	12/6/2012	2.6%
U.S. Government - FICO Strips	197,490	12/6/2012	4.9%
U.S. Government - FICO Strips	81,916	12/27/2012	2.0%
U.S. Government - FICO Strips	26,585	2/3/2013	0.7%
U.S. Government - FICO Strips	49,232	2/3/2013	1.2%
U.S. Government - FICO Strips	28,529	3/7/2013	0.7%
U.S. Government - FICO Strips	<u>289,824</u>	<u>2/8/2014</u>	<u>7.2%</u>
	<u>\$ 4,017,161</u>		<u>100.0%</u>

1. Interest Rate Risk

The District's investment policy seeks to ensure preservation of capital in the District's overall portfolio. Return on investment is of secondary importance to safety of principal and liquidity. The policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the policy requires the District's investment portfolio to be sufficiently liquid to enable the District to meet all operating requirements as they come due. A portion of the portfolio is required to be invested in readily available funds to ensure appropriate liquidity.

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE C - DEPOSITS AND INVESTMENTS (Continued)

2. Credit Risk

The Illinois School District Liquid Asset Fund Plus (ISDLAF+) is an unrated, not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees, elected from participating members. It is not registered with the SEC as an investment company, but operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments are valued at share price, which is the price for which the investment could be sold.

The Illinois Funds, a state investment pool, was rated AAAM by Standard & Poor's. The State Treasurer office is the regulatory oversight agency for the pool and the State Treasurer is audited by the Illinois Auditor General to insure that this agency is following all state statutes. Each member owns a prorated share of each investment or deposit, which is held in the name of the fund. The fair value of the position in the external investment pool is the same as the value of the pool shares.

State statutes limit the investments in commercial paper and corporate bonds to the top three ratings of two nationally recognized statistical rating organizations. The District's investment policy authorizes investments in any type of security as permitted by Sections 2 through 6 of the Illinois Public Funds Investment Act. As of June 30, 2011, each of the District's other investments had "AAA" ratings with their applicable rating agency.

3. Cash and Investments in the Custody of the District

At June 30, 2011, the carrying value of the District's student activity funds was \$229,673, all of which was deposited with financial institutions.

4. Concentration of Credit Risk

The District's investment policy requires diversification of the investment portfolio to minimize the risk of loss resulting from overconcentration in a particular type of security, risk factor, issuer, or maturity. The policy requires diversification strategies to be determined and revised periodically by the District's Treasurer to meet the District's ongoing need for safety, liquidity, and rate of return.

With respect to deposits, custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District's investment policy limits the exposure to deposit custodial credit risk by requiring that all deposits in excess of FDIC insurable limits to be secured by collateral in the event of default or failure of the financial institution holding the funds. At June 30, 2011, the bank balance of the District's deposits with financial institutions totaled \$65,879,448.

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE C - DEPOSITS AND INVESTMENTS (Continued)

4. Concentration of Credit Risk (Continued)

With respect to investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy limits the exposure to investment custodial credit risk by requiring that all investments be secured by FDIC or collateral.

NOTE D - PROPERTY TAXES RECEIVABLE

The District must file its tax levy resolution by the last Tuesday in December of each year. The tax levy resolution was approved by the Board on December 14, 2010. The District's property tax is levied each year on all taxable real property located in the District, and becomes a lien on the property on January 1 of that year. The owner of real property on January 1 (the lien date) in any year is liable for taxes of that year. The District's annual property tax levy is subject to two statutory limitations, individual fund rate ceilings and the Property Tax Extension Limitation Act (PTELA).

The PTELA limitation is applied in the aggregate to the total levy (excluding certain levies for the repayment of debt). PTELA limits the increase in total taxes billed to the lesser of 5% or the percentage increase in the Consumer Price Index (CPI) for the preceding year. The amount can be exceeded to the extent that there is "new growth" in the District's tax base. The new growth consists of new construction, annexations, and tax increment finance district property becoming eligible for taxation.

The County Clerk adds the equalized assessed valuation of all real property in the county to the valuation of property assessed directly by the state (to which the equalization factor is not applied) to arrive at the base amount (the assessment base) used to calculate the annual tax rates, as described above. The equalized assessed valuation for the extension of the 2010 tax levy was \$2,622,779,816.

Property taxes are collected by the Lake County Collector/Treasurer, who remits to the District its share of collections. Taxes levied in one year become due and payable in two installments on June 1 and approximately September 1 during the following year. Property taxes are normally collected by the District within 60 days of the respective installment dates.

The 2010 property tax levy is recognized as a receivable in fiscal 2010, net of estimated uncollectible amounts of approximately 1%. The District considers that the 2010 levy is to be used to finance operations in fiscal 2012. Therefore, the entire 2010 levy, including amounts collected in fiscal 2011, has been recognized as unearned revenue in the accompanying financial statements.

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE E - RESERVED FUND BALANCES AND SPECIAL TAX LEVIES

Special Education Tax

Revenues from the special education tax levy and the related expenditures have been included in the operations of the Educational Fund. Because cumulative expenditures exceeded cumulative revenues, there is no balance restriction.

NOTE F - RETIREMENT FUND COMMITMENTS

1. 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 employed outside the City of Chicago.

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

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2011 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 employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2010 and 2009.

The state of Illinois makes contributions directly to TRS on behalf of the District's TRS-covered employees.

On-behalf Contributions

The state of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2011, state of Illinois contributions were based on 23.10 percent of creditable earnings not paid from federal funds, and the District recognized revenue and expenditures of \$7,909,594 in pension contributions that the state of Illinois paid directly to TRS. For the years ended June 30, 2010 and June 30, 2009, the state of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 23.38 percent, \$7,822,559 and 17.08 percent, \$5,518,382, respectively.

The District makes other types of employer contributions directly to TRS.

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE F - RETIREMENT FUND COMMITMENTS (Continued)

1. Teachers' Retirement System of the State of Illinois (Continued)

2.2 Formula Contributions

Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2011 were \$198,596. Contributions for the years ended June 30, 2010 and June 30, 2009, were \$194,058 and \$187,392, respectively.

Federal and Trust Fund Contributions

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

For the year ended June 30, 2011, the employer pension contribution was 23.10 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2010 and 2009, the employer contribution was 23.38 and 17.08 percent, respectively, of salaries paid from federal and special trust funds. For the year ended June 30, 2011, salaries totaling \$121,635 were paid from federal and special trust funds that required employer contributions of \$28,098. For the years ended June 30, 2010 and June 30, 2009, required District contributions were \$49,675 and \$39,468, 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, 2011, the District paid \$118,437 to TRS for employer contributions under the ERO program. For the years ended June 30, 2010 and June 30, 2009, the District paid \$118,437 and \$0, respectively, in employer ERO contributions.

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE F - RETIREMENT FUND COMMITMENTS (Continued)

1. Teachers' Retirement System of the State of Illinois (Continued)

Salary Increased Over 6 percent and Excess Sick Leave

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

For the year ended June 30, 2011, the District paid \$1,069 to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2010 and June 30, 2009, the District paid \$0 and \$0, respectively, to TRS for employer contributions due on salary increases in excess of 6 percent.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (18.03 percent of salary during the year ended June 30, 2011, as recertified pursuant to Public Act 96-1511).

For the year ended June 30, 2011, the District paid \$0 to TRS for sick leave days granted in excess of the normal annual allotment. For the years ended June 30, 2010 and June 30, 2009, the District paid \$0 and \$0, respectively, in employer contributions granted for sick leave days.

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, 2010. The report for the year ended June 30, 2011 is expected to be available in late 2011.

The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, 2815 West Washington Street, P.O. Box 19253, Springfield, Illinois 62794-9253. The most current report is also available on the TRS Web site at <http://trs.illinois.gov>.

THIS Fund Employer Contributions

The District participates in the Teacher 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 school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants may participate in the state-administered participating provider option plan or choose from several managed care options.

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE F - RETIREMENT FUND COMMITMENTS (Continued)

1. Teachers' Retirement System of the State of Illinois (Continued)

THIS Fund Employer Contributions (Continued)

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the 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 that all active contributors to the TRS who are not employees of the state make a contribution to the THIS Fund.

The percentage of employer-required contributions in the future will be determined by the Director of HFS and will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

On-behalf Contributions to the THIS Fund

The state of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to the THIS Fund from active members, which were 0.88 percent of pay during the year ended June 30, 2011. State of Illinois contributions were \$301,318, and the District recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2010 and June 30, 2009 were 0.84 percent of pay. State contributions on behalf of district employees were \$281,050 and \$271,396, respectively.

Employer Contributions to the THIS Fund

The District also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.66 percent during the year ended June 30, 2011 and 0.63 percent during the years ended June 30, 2010 and June 30, 2009. For the year ended June 30, 2011, the District paid \$225,988 to the THIS Fund. For the years ended June 30, 2010 and June 30, 2009, the District paid \$210,788 and \$203,547, respectively, to the THIS Fund, 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, Illinois 62763-3838.

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE F - RETIREMENT FUND COMMITMENTS (Continued)

2. Illinois Municipal Retirement Fund

*Plan Description*

The District's defined benefit pension plan for regular employees provides retirement and disability benefits, postretirement increases, and death benefits to plan members and beneficiaries. The District's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent, multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

*Funding Policy*

As set by state statute, the District's regular plan members are required to contribute 4.5 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 annual required contribution rate for calendar year 2010 was 12.25 percent. 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 state statute.

*Annual Pension Cost*

The required contribution for calendar year 2010 was \$757,407.

Trend Information			
Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/10 \$	757,407	100% \$	-
12/31/09	533,703	100%	-
12/31/08	454,137	100%	-

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE F - RETIREMENT FUND COMMITMENTS (Continued)

2. Illinois Municipal Retirement Fund (Continued)

*Annual Pension Cost* (Continued)

The required contribution for 2010 was determined as part of the December 31, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008 included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10 percent per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3 percent annually. The actuarial value of the District's regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20 percent corridor between the actuarial value and market value of assets. The District's regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 30 year basis.

*Funded Status and Funding Progress*

As of December 31, 2010, the most recent actuarial valuation date, the regular plan was 63.68 percent funded. The actuarial accrued liability for benefits was \$12,579,866 and the actuarial value of assets was \$8,010,596, resulting in an underfunded actuarial accrued liability (UAAL) of \$4,569,270. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$6,182,915 and the ratio of the UAAL to the covered payroll was 73.90 percent.

The schedule of funding progress, presented as Required Supplementary Information (RSI) 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 liabilities for benefits.

3. Social Security/Medicare

Employees not qualifying for coverage under the Illinois Teachers' Retirement System or the Illinois Municipal Retirement Fund are considered "nonparticipating employees". These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security/Medicare. The District paid the total required contribution for the current fiscal year.

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE G - OTHER POSTEMPLOYMENT BENEFITS

*Plan Description*

The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The policy of the District is to provide the minimum required state-mandated benefit for retiring staff. Certified retirees may receive a negotiated benefit at retirement, but generally receive no benefit at all. The District does, however, have one post retirement medical agreement with a retired administrator for seven years subsequent to June 30, 2009 of full annual health insurance coverage at approximately \$20,000 per year. Other older arrangements for post retirement health insurance payments aggregate approximately \$3,000 per year through fiscal year 2012. For 2011, a total of six former employees or spouses accessed a postemployment(s) benefit through the District.

*Funding Policy*

Retirees under the age of 65 contribute the full Consolidated Omnibus Budget Reconciliation Act (COBRA) equivalent rate. The contributions required by the District are negotiated between the District and union representatives. For fiscal year 2008, the District contributed \$45,004 toward the cost of the postemployment benefits for retirees.

*Annual OPEB Cost and Net OPEB Obligation*

The District's annual other postemployment 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 to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table show 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 asset to the Retiree Health Plan:

	<u>June 30,</u> <u>2011</u>
Annual required contribution	\$ 34,155
Adjustment to annual required	<u>211</u>
Annual OPEB cost	34,366
Contributions made	<u>45,004</u>
Increase in net OPEB asset	(10,638)
Net OPEB asset beginning of year	<u>(12,707)</u>
Net OPEB asset end of year	\$ <u><u>(23,345)</u></u>

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE G - OTHER POSTEMPLOYMENT BENEFITS (Continued)

*Annual OPEB Cost and Net OPEB Obligation* (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for fiscal year 2011 and the two preceding fiscal years were as follows:

Actuarial Valuation Date		Annual OPEB Cost	Percentage Annual OPEB Cost Contributed		Net OPEB Obligation (Asset)
6/30/09	\$	170,060	100%	\$	(12,707)
6/30/10		170,060	100%		(12,707)
6/30/11		34,366	131%		(23,345)

*Funding Status and Funding Progress*

As of June 30, 2011, the actuarial accrued liability for benefits was \$344,496, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the unfunded actuarial accrued liability to the covered payroll was not available.

The projection of future benefit payments for an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Methods and Assumptions*

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

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE G - OTHER POSTEMPLOYMENT BENEFITS (Continued)

*Methods and Assumptions* (Continued)

The following simplifying assumptions were made:

Contribution rates:	
District	Not applicable
Plan members	0.00%
Actuarial valuation date	June 30, 2011
Actuarial cost method	Entry age
Amortization period	Level percentage of pay, Open
Remaining amortization period	30 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary	5.00%
Healthcare inflation	8.00% initial 6.00% ultimate
Mortality, Turnover, Disability, Retirement ages	Same rate utilized for IMRF
Percentage of active employees assumed to elect	20%
Employer provided benefit	Explicit (eligible retirees only): 100% of premiums to age 65  Implicit: 40% of premium to age 65 (50% of \$671/mo + 50% of \$1,110/ mo)

\*Includes inflation at 3.00%

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

NOTE H - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets, not being depreciated				
Land	\$ 3,844,995	\$ -	\$ -	\$ 3,844,995
Total capital assets not being depreciated	3,844,995	-	-	3,844,995
Capital assets, being depreciated				
Land improvements	1,191,776	-	-	1,191,776
Buildings and building improvements	92,038,440	490,580	-	92,529,020
Furniture, equipment, and vehicles	9,494,402	2,421,122	220,065	11,695,459
Total capital assets being depreciated	102,724,618	2,911,702	220,065	105,416,255
Less accumulated depreciation for:				
Land improvements	870,569	25,038	-	895,607
Buildings and building improvements	27,181,806	1,617,130	-	28,798,936
Furniture, equipment, and vehicles	6,105,898	819,503	183,127	6,742,274
Total accumulated depreciation	34,158,273	2,461,671	183,127	36,436,817
Total capital assets being depreciated, net	68,566,345	450,031	36,938	68,979,438
Governmental activities capital assets, net	\$ 72,411,340	\$ 450,031	\$ 36,938	\$ 72,824,433

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

NOTE H - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General Government	
Instructional Services	
Regular programs	\$ 514,970
Special programs	20,189
Support Services	
Instructional staff	358,577
District administration	2,156
School administration	1,563
Business	3,499
Operations and maintenance	1,539,243
Transportation	4,834
Food	5,403
Central	11,237
	<u>\$ 2,461,671</u>

NOTE I - LONG-TERM LIABILITIES

During the year ended June 30, 2011, the following is the long-term liability activity for the District:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due within one year
Bonds payable:					
General obligation	\$ 24,280,000	\$ -	\$ 6,135,000	\$ 18,145,000	\$ 3,875,000
Debt certificates	160,000	-	30,000	130,000	30,000
Less deferred charges					
Deferred charge					
on refunding	(1,014,731)	-	(221,952)	(792,779)	-
Add unamortized premium	446,534	-	108,305	338,229	-
Compensated absences	54,611	278,187	276,278	56,520	-
Capital leases	982,266	-	315,399	666,867	241,273
Total long-term liabilities - governmental activities	<u>\$ 24,908,680</u>	<u>\$ 278,187</u>	<u>\$ 6,643,030</u>	<u>\$ 18,543,837</u>	<u>\$ 4,146,273</u>

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

NOTE I - LONG-TERM LIABILITIES (Continued)

1. General Obligation Bonds

The summary of activity in bonds payable for the year ended June 30, 2011 is as follows:

	<u>Bonds Payable</u> <u>July 1, 2010</u>	<u>Debt</u> <u>Issued</u>	<u>Debt</u> <u>Retired</u>	<u>Bonds Payable</u> <u>June 30, 2011</u>
\$7,150,000 Life Safety Bonds, dated December 1, 1998, due in June 2011, interest at 4.0% to 4.3%.	\$ 100,000	\$ -	\$ 100,000	\$ -
\$20,900,000 Refunding Bonds, dated July 1, 2002, due in June 2014, interest at 2.0% to 5.75%.	10,765,000	-	1,800,000	8,965,000
\$8,835,000 Refunding Bonds, dated April 1, 2004, due in June 2012, interest at 2.0% to 3.0%.	4,330,000	-	3,365,000	965,000
\$9,865,000 Life and Safety Bonds, May 5, 2005, due in June 2018, interest at 3.0% to 4.0%.	<u>9,085,000</u>	<u>-</u>	<u>870,000</u>	<u>8,215,000</u>
Total	<u>\$ 24,280,000</u>	<u>\$ -</u>	<u>\$ 6,135,000</u>	<u>\$ 18,145,000</u>

At June 30, 2011, the District's future cash flow requirements for retirement of bond principal and interest were as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,875,000	\$ 759,580	\$ 4,634,580
2013	6,420,000	514,818	6,934,818
2014	2,910,000	280,465	3,190,465
2015	1,205,000	197,600	1,402,600
2016	1,300,000	149,400	1,449,400
2017-2018	<u>2,435,000</u>	<u>138,600</u>	<u>2,573,600</u>
Total	<u>\$ 18,145,000</u>	<u>\$ 2,040,463</u>	<u>\$ 20,185,463</u>

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

NOTE I - LONG-TERM LIABILITIES (Continued)

1. General Obligation Bonds (Continued)

These payments will be made from amounts budgeted from the debt service tax levies in future periods. There is \$2,135,078 in the Debt Service Fund to service the outstanding bonds payable. As of June 30, 2011, the District was in compliance with all significant bond covenants.

The District is subject to the Illinois School Code, which limits the bond indebtedness to 6.9% of the most recent available equalized assessed valuation of the District. As of June 30, 2011, the statutory debt limit for the District was \$180,971,807 of which \$162,029,940 is fully available.

2. Debt Certificates

The summary of activity in debt certificates for the year ended June 30, 2011 is as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Debt</u> <u>Issued</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>June 30, 2011</u>
\$300,000 General Obligation Limited Tax Debt Certificates, dated November 1, 2004, due in June 2016, interest at 3.25%.	\$ 160,000	\$ -	\$ 30,000	\$ 130,000

At June 30, 2011, the District's future cash flow requirements for retirement of debt certificate principal and interest were as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	30,000	4,225	34,225
2013	30,000	3,250	33,250
2014	35,000	2,275	37,275
2015	35,000	1,138	36,138
	<u>\$ 130,000</u>	<u>\$ 10,888</u>	<u>\$ 140,888</u>

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE I - LONG-TERM LIABILITIES (Continued)

3. Leases Payable

The District currently has several lease agreements with American Capital Financial Services and one lease agreement with Xerox Corporation for financing the acquisitions of computers and printers. At June 30, 2011, \$1,523,940 of the amounts included in capital assets were acquired via capital leases for computers and copiers. The leases require monthly installment payments for sixty consecutive months. The obligations for these loans will be repaid from the Debt Service Fund.

At June 30, 2011, the District's future cash flow requirements for retirement of leases payable principal and interest were as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 241,273	\$ 24,271	\$ 265,544
2013	237,036	14,902	251,938
2014	<u>188,558</u>	<u>5,920</u>	<u>194,478</u>
Total	<u>\$ 666,867</u>	<u>\$ 45,093</u>	<u>\$ 711,960</u>

4. Compensated Absences

Expenditures for compensated absences are recognized in the governmental funds as salary and benefits to the extent that they are paid during the year or within sixty days after the end of the fiscal year. The liability for the remainder of the vested compensated absences is recorded in the statement of net assets. These expenditures are paid from the General Fund.

NOTE J - FUND BALANCE REPORTING

As defined in Note A-15, the District had the following components of fund balance in the General fund at June 30, 2011:

General Fund

Nonspendable - prepaid items	\$ <u>217,023</u>
Restricted for tort immunity	\$ <u>776,297</u>

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

NOTE K - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destructions of assets, errors and omissions, injuries to employees, and natural disasters. The District purchases coverage against such risks and participates in the following public entity risk pools: School Employee Loss Fund (SELF) for worker's compensation claims; and Collective Liability Insurance Cooperation (CLIC) for property damage and injury claims. The District pays annual premiums to the pools for insurance coverage. The arrangements with the pools provide that the pools will be self-sustaining through member premiums, and will reinsure through commercial companies for claims in excess of certain levels established by the pools.

The District continues to carry commercial insurance for all other risks of loss, including torts and professional liability insurance.

Settled claims have not exceeded commercial insurance coverage for the past three fiscal years.

NOTE L - SELF-INSURANCE PLANS

The District operates self-insurance plans to provide health and dental insurance to its employees. The health and dental plans, which began in September 2003 and September 1997, respectively, are funded through District and employee contributions. Total claims paid during the year ended June 30, 2011 were \$6,484,413 and \$382,659, respectively, for health and dental. The District liability will not exceed \$2,000,000 for health and \$2,000 for dental annually per participating employee. At June 30, 2011, liabilities of \$292,892 for health and \$49,151 for dental had been recorded in the General (Educational) Fund, which represents estimated claims incurred but not yet reported. Claims incurred but not yet reported (IBNRs) include known loss events that are expected to later be presented as claims, unknown loss events that are expected to become claims, and expected future developments on claims already reported.

Claim liabilities of health and dental insurance are included in accounts payable on the balance sheet. Balances of claims liabilities during the past two years are as follows:

	Health Insurance Claims Payable		Dental Insurance Claims Payable	
	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011
Unpaid claims, beginning of fiscal year	\$ 826,307	\$ 990,569	\$ 69,878	\$ 32,042
Incurred claims (including IBNRs)	4,617,118	5,786,736	379,532	399,768
Claim payments	<u>(4,452,856)</u>	<u>(6,484,456)</u>	<u>(417,368)</u>	<u>(382,659)</u>
Unpaid claims, end of fiscal year	<u>\$ 990,569</u>	<u>\$ 292,849</u>	<u>\$ 32,042</u>	<u>\$ 49,151</u>

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

NOTE M - INTERFUND TRANSFERS

Generally, transfers are used to move revenues from the fund that collects them to the fund that the budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund, transfer interest earned on investments as approved by board resolutions, and use unrestricted revenues collected in the Educational Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The following is a schedule of interfund transfers:

<u>To</u>	<u>From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Debt Service Fund	General Fund	\$ 345,892	Principal and interest payment for capital leases
Capital Projects Fund	General Fund	6,501	Transfer for Capital Projects
Operations and Maintenance Fund	General Fund	76,167	Transfer of Interest
Capital Projects Fund	Operation and Maintenance Fund	394,210	Transfer for Capital Projects
Debt Service Fund	Operation and Maintenance Fund	35,200	Principal and Interest payment for 2004 Debt Certificates
Debt Service Fund	Fire Prevention and Safety Fund	1,337,700	Permanent transfer for excess accumulated fire prevention & Safety bond proceeds and interest earnings

NOTE N - JOINT AGREEMENTS

The District is a member of the North Suburban Special Education District (NSSD), a joint agreement that provides certain special education services to residents of many school districts. The District believes that because it does not control the selection of the governing authority, and because of the control over employment of management personnel, operations, scope of public service, and special financial relationships exercised by the joint agreement governing boards, these should not be included as component units of the District.

North Shore School District 112  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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NOTE O - PRIOR PERIOD ADJUSTMENT

The implementation of GASB 54 (Note A-14) required the restatement of the General Fund to include the Working Cash Fund and the Tort Immunity and Judgment Fund. Prior to GASB 54 the Working Cash Fund and the Tort Immunity and Judgment Fund was reported as special revenue funds. As a result of this implementation the beginning fund balance of the General fund was restated by \$12,816,576.

NOTE P - CONSTRUCTION COMMITMENTS

At June 30, 2011, the District had construction commitments of approximately \$205,000 that relate to unfinished capital projects.

NOTE Q - CONTINGENCIES

1. Litigation

The District is not involved in any significant litigation that would materially affect the balances reported at June 30, 2011. With regard to other pending matters, the eventual outcome and related liability, if any, is not determinable at this time. No provision has been made in the accompanying financial statements for settlement costs.

2. Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be

NOTE R - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 20, 2012, the date that these financial statements were available to be issued. Management has determined that no events or transactions have occurred subsequent to the balance sheet date that require disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)

North Shore School District 112  
SCHEDULE OF FUNDING PROGRESS  
ILLINOIS MUNICIPAL RETIREMENT FUND  
June 30, 2011

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Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll [(2)-(1)]/(5)
12/31/10	\$ 8,010,596	\$ 12,579,866	63.68 %	\$ 4,569,270	\$ 6,182,915	73.90 %
12/31/09	8,109,441	11,742,041	69.06	3,632,600	5,916,883	61.39
12/31/08	6,878,352	10,813,002	63.61	3,934,650	5,458,375	72.08

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$8,934,402. On a market basis, the funded ratio would be 71.02%

North Shore School District 112  
SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS  
June 30, 2011

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Actuarial Valuation Date	(1) Actuarial Value of Assets (1)	(2) Actuarial Accrued Liability (AAL) -Entry Age (2)	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll [(2)-(1)]/(5)
06/30/11	\$ -	\$ 344,496	0.00 %	\$ 344,496	\$ N/A	N/A %
06/30/10	-	N/A	0.00	N/A	N/A	N/A
06/30/09	N/A	1,035,515	N/A	1,035,515	N/A	N/A

N/A - not available

**North Shore School District 112**  
 General Fund  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
 For the Year Ended June 30, 2011  
 With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			
	Original and Final Budget	Actual	Variance From Final Budget	2010 Actual
Revenues				
Local sources				
General levy	\$ 47,195,508	\$ 47,552,950	\$ 357,442	\$ 47,598,840
Special education levy	604,009	608,555	4,546	540,250
Corporate personal property replacement taxes	155,700	135,520	(20,180)	-
Regular tuition from pupils or parents	-	13,116	13,116	13,132
Summer school tuition from pupils or parents	50,000	35,166	(14,834)	35,291
Interest on investments	356,200	208,853	(147,347)	561,950
Sales to pupils - lunch	45,000	32,738	(12,262)	104,487
Sales to pupils - breakfast	110,000	96,235	(13,765)	-
Other food service	-	-	-	30,920
Contributions and donations from private sources	93,704	143,577	49,873	67,112
Refund of prior years' expenditures	17,985	13,776	(4,209)	101,068
Proceeds from vendors' contracts	25,500	-	(25,500)	-
Payment from other Districts	25,000	-	(25,000)	114,635
Local fees	682,500	709,877	27,377	650,242
Other	790,471	835,481	45,010	706,143
Total local sources	50,151,577	50,385,844	234,267	50,524,070

**State sources**

General State Aid	1,170,456	1,170,390	(66)	896,632
Special Education - Private Facility Tuition	232,839	300,253	67,414	232,839
Special Education - Extraordinary	577,035	586,010	8,975	577,035
Special Education - Personnel	1,120,651	1,180,565	59,914	1,120,651
Special Education - Orphanage - Individual	6,968	10,510	3,542	15,999

(Continued)

# North Shore School District 112

## General Fund

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance From Final Budget	2010 Actual
	Original and Final Budget	Actual		
Special Education -				
Orphanage - Summer Individual	\$ 2,435	\$ -	\$ (2,435)	\$ -
Special Education - Summer School	4,771	6,004	1,233	4,771
Bilingual Ed. - Downstate - T.P.I. and T.P.E.	269,014	286,549	17,535	288,952
State Free Lunch and Breakfast	12,688	10,577	(2,111)	13,173
School Breakfast Initiative	485	96	(389)	-
Early Childhood - Block Grant	418,806	418,806	-	418,806
Reading Improvement Block Grant	-	-	-	152,860
School Safety and Educational Block Grant (Flat Grant)	-	-	-	37,742
Other state sources	39,000	3,142	(35,858)	17,604
On Behalf Payments to TRS from the State	<u>8,411,000</u>	<u>8,210,912</u>	<u>(200,088)</u>	<u>8,103,609</u>
Total state sources	<u>12,266,148</u>	<u>12,183,814</u>	<u>(82,334)</u>	<u>11,880,673</u>
Federal sources				
Federal Impact Aid	521,400	495,148	(26,252)	569,821
Other Federal Grants-in-Aid	-	-	-	95,920
National School Lunch Program	180,250	190,412	10,162	185,177
Special Milk Program	35,000	29,011	(5,989)	29,098
Special Breakfast Program	62,830	58,647	(4,183)	63,527
Food Service - Other	25,000	25,110	110	27,046
Title I - Low Income	416,863	367,286	(49,577)	303,765
Safe and Drug Free Schools - Form. (Title IV)	-	-	-	9,768
Fed. - Sp. Ed. - I.D.E.A. - Flow Through	535,000	572,967	37,967	547,058
Fed. - Sp. Ed. - I.D.E.A. - Room and Board	300,000	416,243	116,243	351,818
ARRA General State Aid - Ed. Stabilization	-	-	-	149,988
ARRA Title I - Low Income	-	-	-	158,576
ARRA IDEA - Part B - Preschool	41,674	41,674	-	6,073
ARRA IDEA - Part B - Flow-Through	-	-	-	886,352
ARRA General State Aid - Other Govt Svcs Stab.	-	-	-	49,996
Other ARRA Funds - XI	106,564	106,564	-	-
Title III - English Language Acquisition	120,000	121,095	1,095	119,600
Learn & Serve America	24,550	23,000	(1,550)	19,375
Title II - Teacher Quality	135,385	120,621	(14,764)	132,409

(Continued)

# North Shore School District 112

## General Fund

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Medicaid Matching Funds -				
Administrative Outreach	\$ 70,000	\$ 127,128	\$ 57,128	\$ 46,024
Medicaid Matching Funds -				
Fee-For-Service-Program	40,000	122,779	82,779	26,677
Other federal sources	<u>12,000</u>	<u>-</u>	<u>(12,000)</u>	<u>3,004</u>
Total federal sources	<u>2,626,516</u>	<u>2,817,685</u>	<u>191,169</u>	<u>3,781,072</u>
Total revenues	<u>65,044,241</u>	<u>65,387,343</u>	<u>343,102</u>	<u>66,185,815</u>
Expenditures				
Instruction				
Regular programs				
Salaries	19,000,451	19,145,592	(145,141)	20,378,622
Employee benefits	3,154,691	2,864,397	290,294	2,916,346
On-behalf payments to TRS from the state	8,411,000	8,210,912	200,088	8,103,609
Purchased services	886,166	523,519	362,647	450,451
Supplies and materials	556,037	525,271	30,766	662,914
Capital outlay	<u>81,256</u>	<u>37,440</u>	<u>43,816</u>	<u>1,182,134</u>
Total	<u>32,089,601</u>	<u>31,307,131</u>	<u>782,470</u>	<u>33,694,076</u>
Special education programs				
Salaries	5,735,965	5,533,629	202,336	5,217,680
Employee benefits	1,096,150	1,000,467	95,683	1,087,347
Purchased services	142,450	110,435	32,015	131,512
Supplies and materials	42,525	80,684	(38,159)	10,724
Capital outlay	<u>55,000</u>	<u>55,086</u>	<u>(86)</u>	<u>29,890</u>
Total	<u>7,072,090</u>	<u>6,780,301</u>	<u>291,789</u>	<u>6,477,153</u>

(Continued)

# North Shore School District 112

## General Fund

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Special education programs pre-K				
Salaries	\$ 409,015	\$ 400,260	\$ 8,755	\$ 463,131
Employee benefits	73,793	67,292	6,501	65,740
Purchased services	3,140	1,570	1,570	754
Supplies and materials	9,646	7,029	2,617	11,182
Capital outlay	<u>1,552</u>	<u>-</u>	<u>1,552</u>	<u>7,184</u>
Total	<u>497,146</u>	<u>476,151</u>	<u>20,995</u>	<u>547,991</u>
Remedial and Supplemental programs K-12				
Salaries	808,667	691,547	117,120	736,582
Employee benefits	<u>188,396</u>	<u>138,431</u>	<u>49,965</u>	<u>131,238</u>
Total	<u>997,063</u>	<u>829,978</u>	<u>167,085</u>	<u>867,820</u>
Remedial and Support programs pre-K				
Salaries	473,537	438,624	34,913	450,223
Employee benefits	84,332	3,858	80,474	98,870
Purchased services	60,340	3,709	56,631	2,039
Supplies and materials	-	9,888	(9,888)	9,351
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,507</u>
Total	<u>618,209</u>	<u>456,079</u>	<u>162,130</u>	<u>566,990</u>
Summer school programs				
Salaries	136,681	145,703	(9,022)	106,437
Employee benefits	24,772	25,956	(1,184)	3,884
Purchased services	22,032	7,967	14,065	-
Supplies and materials	5,500	1,307	4,193	2,188
Capital outlay	<u>-</u>	<u>832</u>	<u>(832)</u>	<u>-</u>
Total	<u>188,985</u>	<u>181,765</u>	<u>7,220</u>	<u>112,509</u>

(Continued)

# North Shore School District 112

## General Fund

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Gifted programs				
Salaries	\$ 673,138	\$ 653,450	\$ 19,688	\$ 631,335
Employee benefits	<u>103,002</u>	<u>93,665</u>	<u>9,337</u>	<u>87,732</u>
Total	<u>776,140</u>	<u>747,115</u>	<u>29,025</u>	<u>719,067</u>
Bilingual programs				
Salaries	3,353,961	3,187,743	166,218	957,831
Employee benefits	631,491	555,752	75,739	124,579
Purchased services	-	11,168	(11,168)	-
Supplies and materials	<u>-</u>	<u>8,728</u>	<u>(8,728)</u>	<u>-</u>
Total	<u>3,985,452</u>	<u>3,763,391</u>	<u>222,061</u>	<u>1,082,410</u>
Spec. Ed. Programs K-12 - private tuition				
Other objects	<u>955,369</u>	<u>1,138,683</u>	<u>(183,314)</u>	<u>965,130</u>
Total instruction	<u>47,180,055</u>	<u>45,680,594</u>	<u>1,499,461</u>	<u>45,033,146</u>
Support services				
Pupils				
Guidance services				
Salaries	1,128,191	1,045,441	82,750	1,145,177
Employee benefits	478,029	433,806	44,223	143,918
Purchased services	3,000	2,154	846	19,849
Supplies and materials	<u>-</u>	<u>-</u>	<u>-</u>	<u>69</u>
Total	<u>1,609,220</u>	<u>1,481,401</u>	<u>127,819</u>	<u>1,309,013</u>

(Continued)

**North Shore School District 112**  
 General Fund  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
 For the Year Ended June 30, 2011  
 With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Health services				
Salaries	\$ 470,114	\$ 464,940	\$ 5,174	\$ 456,106
Employee benefits	77,952	70,805	7,147	92,457
Purchased services	14,425	6,103	8,322	5,123
Supplies and materials	8,200	6,840	1,360	8,441
Capital outlay	<u>4,500</u>	<u>2,875</u>	<u>1,625</u>	<u>3,660</u>
Total	<u>575,191</u>	<u>551,563</u>	<u>23,628</u>	<u>565,787</u>
Psychological services				
Salaries	616,067	555,864	60,203	590,911
Employee benefits	112,442	101,794	10,648	74,552
Purchased services	5,000	-	5,000	29,502
Supplies and materials	<u>2,000</u>	<u>11,543</u>	<u>(9,543)</u>	<u>5,051</u>
Total	<u>735,509</u>	<u>669,201</u>	<u>66,308</u>	<u>700,016</u>
Speech pathology and audiology services				
Salaries	1,047,897	1,171,236	(123,339)	987,416
Employee benefits	191,498	175,416	16,082	111,530
Purchased services	6,600	573	6,027	22,334
Supplies and materials	<u>2,000</u>	<u>2,993</u>	<u>(993)</u>	<u>1,742</u>
Total	<u>1,247,995</u>	<u>1,350,218</u>	<u>(102,223)</u>	<u>1,123,022</u>
Total pupils	<u>4,167,915</u>	<u>4,052,383</u>	<u>115,532</u>	<u>3,697,838</u>

(Continued)

# North Shore School District 112

## General Fund

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			
	Original and Final Budget	Actual	Variance From Final Budget	2010 Actual
Instructional staff				
Improvement of instruction services				
Salaries	\$ 1,007,246	\$ 707,740	\$ 299,506	\$ 1,065,359
Employee benefits	220,924	211,538	9,386	269,112
Purchased services	415,609	329,291	86,318	283,116
Supplies and materials	563,701	522,161	41,540	926,925
Capital outlay	-	198,926	(198,926)	561,124
Other objects	1,800	1,298	502	-
Total	2,209,280	1,970,954	238,326	3,105,636
Educational media services				
Salaries	1,259,330	1,311,721	(52,391)	1,306,530
Employee benefits	240,325	215,547	24,778	323,433
Purchased services	480,317	555,178	(74,861)	427,607
Supplies and materials	12,100	17,668	(5,568)	11,335
Capital outlay	68,300	1,898,419	(1,830,119)	270,372
Other objects	-	675	(675)	-
Total	2,060,372	3,999,208	(1,938,836)	2,339,277
Total instructional staff	4,269,652	5,970,162	(1,700,510)	5,444,913
General administration				
Board of education services				
Salaries	42,797	44,904	(2,107)	44,383
Employee benefits	12,202	9,331	2,871	150,139
Purchased services	458,754	321,632	137,122	333,876
Supplies and materials	6,875	5,672	1,203	11,683
Capital outlay	13,786	13,556	230	15,962
Total	534,414	395,095	139,319	556,043

(Continued)

# North Shore School District 112

## General Fund

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Executive administration services				
Salaries	\$ 250,397	\$ 258,576	\$ (8,179)	\$ 248,553
Employee benefits	95,597	117,257	(21,660)	130,545
Purchased services	35,970	8,404	27,566	22,769
Supplies and materials	2,900	1,349	1,551	1,796
Capital outlay	2,650	1,262	1,388	4,008
Other objects	-	2,305	(2,305)	3,846
Total	<u>387,514</u>	<u>389,153</u>	<u>(1,639)</u>	<u>411,517</u>
Tort immunity services				
Purchased services	<u>731,348</u>	<u>445,613</u>	<u>285,735</u>	<u>547,770</u>
Total	<u>731,348</u>	<u>445,613</u>	<u>285,735</u>	<u>547,770</u>
Total general administration	<u>1,653,276</u>	<u>1,229,861</u>	<u>423,415</u>	<u>1,515,330</u>
Office of the principal services				
Salaries	2,481,665	2,436,883	44,782	2,304,749
Employee benefits	650,631	619,849	30,782	723,212
Purchased services	<u>28,800</u>	<u>4,630</u>	<u>24,170</u>	<u>16,674</u>
Total	<u>3,161,096</u>	<u>3,061,362</u>	<u>99,734</u>	<u>3,044,635</u>
Total school administration	<u>3,161,096</u>	<u>3,061,362</u>	<u>99,734</u>	<u>3,044,635</u>

(Continued)

**North Shore School District 112**  
 General Fund  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
 For the Year Ended June 30, 2011  
 With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			
	Original and Final Budget	Actual	Variance From Final Budget	2010 Actual
Business				
Direction of business support services				
Salaries	\$ 225,344	\$ 207,581	\$ 17,763	\$ 198,426
Employee benefits	47,992	48,057	(65)	53,945
Purchased services	9,225	9,644	(419)	7,097
Supplies and materials	500	1,048	(548)	749
Capital outlay	<u>3,400</u>	<u>3,565</u>	<u>(165)</u>	<u>3,715</u>
Total	<u>286,461</u>	<u>269,895</u>	<u>16,566</u>	<u>263,932</u>
Fiscal services				
Salaries	305,137	325,102	(19,965)	361,179
Employee benefits	76,441	69,521	6,920	63,586
Purchased services	102,205	135,647	(33,442)	97,714
Supplies and materials	11,250	10,091	1,159	11,386
Capital outlay	490	416	74	5,123
Other objects	<u>-</u>	<u>1,069</u>	<u>(1,069)</u>	<u>495</u>
Total	<u>495,523</u>	<u>541,846</u>	<u>(46,323)</u>	<u>539,483</u>
Operation and maintenance of plant services				
Capital outlay	<u>125,000</u>	<u>128,641</u>	<u>(3,641)</u>	<u>-</u>
Total	<u>125,000</u>	<u>128,641</u>	<u>(3,641)</u>	<u>-</u>
Pupil transportation services				
Purchased services	<u>2,000</u>	<u>2,892</u>	<u>(892)</u>	<u>-</u>
Total	<u>2,000</u>	<u>2,892</u>	<u>(892)</u>	<u>-</u>

(Continued)

# North Shore School District 112

## General Fund

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Food services				
Salaries	\$ 9,980	\$ 10,170	\$ (190)	\$ 9,984
Employee benefits	1,698	1,541	157	1,915
Purchased services	437,288	489,694	(52,406)	446,130
Supplies and materials	1,250	3,415	(2,165)	3,874
Capital outlay	-	1,210	(1,210)	-
Total	<u>450,216</u>	<u>506,030</u>	<u>(55,814)</u>	<u>461,903</u>
Internal services				
Salaries	-	-	-	45
Employee benefits	-	-	-	1
Purchased services	9,865	15	9,850	3,015
Supplies and materials	<u>54,425</u>	<u>2,987</u>	<u>51,438</u>	<u>4,439</u>
Total	<u>64,290</u>	<u>3,002</u>	<u>61,288</u>	<u>7,500</u>
Total business	<u>1,423,490</u>	<u>1,452,306</u>	<u>(28,816)</u>	<u>1,272,818</u>
Central				
Direction of central support services				
Employee benefits	<u>101,156</u>	<u>79,511</u>	<u>21,645</u>	<u>110,949</u>
Total	<u>101,156</u>	<u>79,511</u>	<u>21,645</u>	<u>110,949</u>
Planning, research, development and evaluation services				
Salaries	7,380	960	6,420	-
Employee benefits	10,621	12	10,609	-
Purchased services	44,025	-	44,025	-
Supplies and materials	<u>-</u>	<u>61,709</u>	<u>(61,709)</u>	<u>-</u>
Total	<u>62,026</u>	<u>62,681</u>	<u>(655)</u>	<u>-</u>

(Continued)

# North Shore School District 112

## General Fund

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010
	Original and Final Budget	Actual	Variance From Final Budget	Actual
Staff services				
Salaries	\$ 382,285	\$ 366,026	\$ 16,259	\$ 395,493
Employee benefits	94,213	78,784	15,429	86,465
Purchased services	93,520	54,888	38,632	73,861
Supplies and materials	10,000	6,594	3,406	8,819
Capital outlay	1,785	2,732	(947)	692
Other objects	-	944	(944)	1,938
Total	<u>581,803</u>	<u>509,968</u>	<u>71,835</u>	<u>567,268</u>
Total central	<u>744,985</u>	<u>652,160</u>	<u>92,825</u>	<u>678,217</u>
Total support services	<u>15,420,414</u>	<u>16,418,234</u>	<u>(997,820)</u>	<u>15,653,751</u>
Community services				
Salaries	-	-	-	10,875
Employee benefits	-	-	-	155
Purchased services	3,165	3,095	70	6,245
Supplies and materials	-	3,652	(3,652)	2,778
Total	<u>3,165</u>	<u>6,747</u>	<u>(3,582)</u>	<u>20,053</u>
Payments to Other Districts and Gov't Units				
Payments for special education programs				
Purchased services	<u>1,400,000</u>	<u>1,295,741</u>	<u>104,259</u>	<u>2,816,128</u>
Total	<u>1,400,000</u>	<u>1,295,741</u>	<u>104,259</u>	<u>2,816,128</u>
Payments for Spec. Ed. programs - tuition				
Other objects	<u>1,813,462</u>	<u>1,953,404</u>	<u>(139,942)</u>	<u>1,919,022</u>
Total payments to other districts and other Gov'ts	<u>3,213,462</u>	<u>3,249,145</u>	<u>(35,683)</u>	<u>4,735,150</u>
Total expenditures	<u>65,817,096</u>	<u>65,354,720</u>	<u>462,376</u>	<u>65,442,100</u>

(Continued)

# North Shore School District 112

## General Fund

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance From Final Budget	2010 Actual
	Original and Final Budget	Actual		
Excess (deficiency) of revenues over expenditures	\$ (772,855)	\$ 32,623	\$ 805,478	\$ 743,715
Other financing sources (uses)				
Permanent transfer from working cash fund - interest	(138,700)	(76,167)	62,533	(141,935)
Other sources	-	-	-	638,492
Trans to Debt Svc Fund for Prin on Cap Leases	(401,301)	(315,399)	85,902	(693,116)
Trans to Debt Svc Fund for Int on Cap Leases	(25,413)	(30,493)	(5,080)	(31,705)
Transfer to Capital Projects Fund	-	(6,501)	(6,501)	(113,284)
Other uses not classified elsewhere	-	-	-	(152,633)
Total other financing sources (uses)	(565,414)	(428,560)	136,854	(494,181)
Net change to fund balance	\$ (1,338,269)	(395,937)	\$ 942,332	249,534
Fund balance, beginning of year		19,302,948		19,053,414
Fund balance, end of year		\$ 18,907,011		\$ 19,302,948

(Concluded)

North Shore School District 112  
Operations and Maintenance Fund  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011  
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Revenues				
Local sources				
General levy	\$ 5,682,716	\$ 5,726,268	\$ 43,552	\$ 5,317,195
Corporate personal property replacement taxes	76,000	44,814	(31,186)	-
Interest on investments	37,600	27,642	(9,958)	93,535
Rentals	107,700	150,977	43,277	146,219
Impact fees from municipal or county gov'ts	10,000	18,875	8,875	17,700
Refund of prior years' expenditures	-	28,116	28,116	4,220
Other	100,000	147,471	47,471	165,360
Total local sources	6,014,016	6,144,163	130,147	5,744,229
State sources				
Other state sources	-	-	-	107,951
Total state sources	-	-	-	107,951
Total revenues	6,014,016	6,144,163	130,147	5,852,180
Expenditures				
Support services				
Business				
Direction of business support services				
Salaries	31,640	33,420	(1,780)	36,156
Employee benefits	5,382	5,633	(251)	4,573
Total	37,022	39,053	(2,031)	40,729

(Continued)

**North Shore School District 112**  
 Operations and Maintenance Fund  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
 For the Year Ended June 30, 2011  
 With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Operation and maintenance of plant services				
Salaries	\$ 1,130,867	\$ 1,093,975	\$ 36,892	\$ 1,127,994
Employee benefits	207,310	182,312	24,998	174,371
Purchased services	2,987,041	3,108,742	(121,701)	2,678,844
Supplies and materials	1,018,570	1,102,059	(83,489)	1,160,657
Capital outlay	647,494	776,670	(129,176)	710,059
Other objects	-	-	-	540
Total	<u>5,991,282</u>	<u>6,263,758</u>	<u>(272,476)</u>	<u>5,852,465</u>
Total business	<u>6,028,304</u>	<u>6,302,811</u>	<u>(274,507)</u>	<u>5,893,194</u>
Total support services	<u>6,028,304</u>	<u>6,302,811</u>	<u>(274,507)</u>	<u>5,893,194</u>
Debt service				
Other interest	<u>200</u>	<u>-</u>	<u>200</u>	<u>-</u>
Total debt service	<u>200</u>	<u>-</u>	<u>200</u>	<u>-</u>
Total expenditures	<u>6,028,504</u>	<u>6,302,811</u>	<u>(274,307)</u>	<u>5,893,194</u>
Deficiency of revenues over expenditures	<u>(14,488)</u>	<u>(158,648)</u>	<u>(144,160)</u>	<u>(41,014)</u>

(Continued)

North Shore School District 112  
Operations and Maintenance Fund  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011  
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Other financing sources (uses)				
Permanent transfer from working				
Cash fund - interest	\$ 138,700	\$ 76,167	\$ (62,533)	\$ 141,935
Other sources not classified elsewhere	-	-	-	152,633
Trans to debt svc for prin on debt certificates	(30,000)	(30,000)	-	30,000
Trans to debt svc for int on debt certificates	(5,200)	(5,200)	-	6,175
Transfer to capital projects fund	<u>(629,500)</u>	<u>(394,210)</u>	<u>235,290</u>	<u>(604,803)</u>
Total other financing sources (uses)	<u>(526,000)</u>	<u>(353,243)</u>	<u>172,757</u>	<u>(274,060)</u>
Net change in fund balance	<u>\$ (540,488)</u>	(511,891)	<u>\$ 28,597</u>	(315,074)
Fund balance, beginning of year		<u>4,204,959</u>		<u>4,592,383</u>
Fund balance, end of year		<u>\$ 3,693,068</u>		<u>\$ 4,277,309</u>

(Concluded)

North Shore School District 112  
Transportation Fund  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011  
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Revenues				
Local sources				
General levy	\$ 1,647,297	\$ 1,659,788	\$ 12,491	\$ 1,393,276
Corporate personal property replacement taxes	50,000	185,012	135,012	268,872
Regular transportation fees from pupils or parents	75,580	45,045	(30,535)	75,505
Regular transportation fees from other sources - in state	-	-	-	530
Interest on investments	7,900	6,085	(1,815)	12,216
Services provided other Districts	100,000	-	(100,000)	-
Other	-	-	-	58,441
Total local sources	<u>1,880,777</u>	<u>1,895,930</u>	<u>15,153</u>	<u>1,808,840</u>
State sources				
Transportation - Regular/Vocational	253,886	27,750	(226,136)	258,436
Transportation - Special Education	<u>657,394</u>	<u>661,220</u>	<u>3,826</u>	<u>657,394</u>
Total state sources	<u>911,280</u>	<u>688,970</u>	<u>(222,310)</u>	<u>915,830</u>
Total revenues	<u>2,792,057</u>	<u>2,584,900</u>	<u>(207,157)</u>	<u>2,724,670</u>

(Continued)

North Shore School District 112  
Transportation Fund  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011  
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Expenditures				
Support services				
Business				
Pupil transportation services				
Salaries	\$ 119,644	\$ 128,367	\$ (8,723)	\$ 116,561
Employee benefits	22,660	19,595	3,065	41,599
Purchased services	2,558,856	2,430,213	128,643	2,663,427
Supplies and materials	<u>5,000</u>	<u>4,072</u>	<u>928</u>	<u>2,247</u>
Total	<u>2,706,160</u>	<u>2,582,247</u>	<u>123,913</u>	<u>2,823,834</u>
Total support services	<u>2,706,160</u>	<u>2,582,247</u>	<u>123,913</u>	<u>2,823,834</u>
Total expenditures	<u>2,706,160</u>	<u>2,582,247</u>	<u>123,913</u>	<u>2,823,834</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 85,897</u>	2,653	<u>\$ (83,244)</u>	(99,164)
Fund balance, beginning of year		<u>741,150</u>		<u>840,314</u>
Fund balance, end of year		<u>\$ 743,803</u>		<u>\$ 741,150</u>

(Concluded)

**North Shore School District 112**  
 Municipal Retirement / Social Security Fund  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
 For the Year Ended June 30, 2011  
 With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			
	Original and Final Budget	Actual	Variance From Final Budget	2010 Actual
Revenues				
Local sources				
General levy	\$ 658,919	\$ 663,952	\$ 5,033	\$ 625,644
Social security/medicare only levy	658,919	663,878	4,959	625,461
Corporate personal property				
Replacement taxes	393,300	346,241	(47,059)	279,846
Interest on investments	10,400	6,636	(3,764)	22,127
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,951</u>
Total local sources	<u>1,721,538</u>	<u>1,680,707</u>	<u>(40,831)</u>	<u>1,593,029</u>
Total revenues	<u>1,721,538</u>	<u>1,680,707</u>	<u>(40,831)</u>	<u>1,593,029</u>
Expenditures				
Instruction				
Regular programs	286,204	301,238	(15,034)	382,488
Special education programs	346,954	327,353	19,601	295,771
Special education programs pre-K	17,358	17,242	116	19,909
Remedial and supplemental programs K-12	11,724	9,869	1,855	10,527
Remedial and supplemental programs pre-K	26,498	29,907	(3,409)	28,564
Summer school programs	5,531	7,484	(1,953)	5,106
Gifted programs	9,757	8,868	889	9,081
Bilingual programs	<u>132,386</u>	<u>123,230</u>	<u>9,156</u>	<u>35,572</u>
Total instruction	836,412	825,191	11,221	787,018

(Continued)

**North Shore School District 112**  
 Municipal Retirement / Social Security Fund  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
 For the Year Ended June 30, 2011  
 With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Support services				
Pupils				
Guidance services	\$ 16,718	\$ 14,804	\$ 1,914	\$ 16,568
Health services	81,217	78,910	2,307	73,019
Psychological services	8,929	9,109	(180)	8,562
Speech pathology and audiology services	<u>16,642</u>	<u>16,556</u>	<u>86</u>	<u>14,498</u>
Total pupils	<u>123,506</u>	<u>119,379</u>	<u>4,127</u>	<u>112,647</u>
Instructional staff				
Improvement of instruction services	44,327	38,195	6,132	32,249
Educational media services	<u>147,169</u>	<u>120,653</u>	<u>26,516</u>	<u>129,569</u>
Total instructional staff	<u>191,496</u>	<u>158,848</u>	<u>32,648</u>	<u>161,818</u>
General administration				
Board of education services	8,408	8,604	(196)	10,757
Executive administration services	<u>13,968</u>	<u>15,175</u>	<u>(1,207)</u>	<u>14,887</u>
Total general administration	<u>22,376</u>	<u>23,779</u>	<u>(1,403)</u>	<u>25,644</u>
School administration				
Office of the principal services	<u>162,889</u>	<u>151,645</u>	<u>11,244</u>	<u>141,749</u>
Total school administration	<u>162,889</u>	<u>151,645</u>	<u>11,244</u>	<u>141,749</u>

(Continued)

**North Shore School District 112**  
Municipal Retirement / Social Security Fund  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For the Year Ended June 30, 2011  
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010
	Original and Final Budget	Actual	Variance From Final Budget	Actual
<b>Business</b>				
Direction of business support services	\$ 8,550	\$ 7,522	\$ 1,028	\$ 16,293
Fiscal services	62,593	65,717	(3,124)	66,235
Operation and maintenance of plant services	226,373	219,855	6,518	211,128
Pupil transportation services	31,178	23,729	7,449	20,645
Food services	1,963	1,861	102	1,784
Internal services	-	-	-	1
Total business	<u>330,657</u>	<u>318,684</u>	<u>11,973</u>	<u>316,086</u>
<b>Central</b>				
Staff services	<u>53,705</u>	<u>77,980</u>	<u>(24,275)</u>	<u>47,680</u>
Total central	<u>53,705</u>	<u>77,980</u>	<u>(24,275)</u>	<u>47,680</u>
Total support services	<u>884,629</u>	<u>850,315</u>	<u>34,314</u>	<u>805,624</u>
<b>Payments to other districts &amp; gov'ts</b>				
Payments for CTE education programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>203</u>
Total payments to other districts & gov'ts	<u>-</u>	<u>-</u>	<u>-</u>	<u>203</u>
Total expenditures	<u>1,721,041</u>	<u>1,675,506</u>	<u>45,535</u>	<u>1,592,845</u>
Excess of revenues over expenditures	<u>\$ 497</u>	5,201	<u>\$ 4,704</u>	184
Fund balance, beginning of year		<u>947,398</u>		<u>947,214</u>
Fund balance, end of year		<u>\$ 952,599</u>		<u>\$ 947,398</u>

(Concluded)

North Shore School District 112  
Notes to the Required Supplementary Information  
June 30, 2011

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1. LEGAL COMPLIANCE AND ACCOUNTABILITY - BUDGETS

Budgets are adopted on a basis consistent with generally accepted accounting principles.

The Board of Education follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) The Administration submits to the Board of Education a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- b) Public hearings are conducted and the proposed budget is available for inspection to obtain comments.
- c) By September 30, the budget is legally adopted through passage of a resolution. By the last Tuesday in December each year, a tax levy resolution is filed with the County Clerk to obtain tax revenues.
- d) Management is authorized to transfer budget amounts, provided funds are transferred between the same function and object codes. The Board of Education is authorized to transfer up to a legal level of 10% of the total budget between functions within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education after a public hearing process mandated by law.
- e) Formal budgetary integration is employed as a management control device during the year for the governmental funds.
- f) The budget amounts shown in the financial statements are as originally adopted by the Board of Education on August 17, 2010.
- g) All budget appropriations lapse at the end of the fiscal year.

2. EXPENDITURES IN EXCESS OF BUDGETS

The following funds had expenditures in excess of budgets at June 30, 2011:

<u>Funds</u>	<u>Amount</u>
Operations and Maintenance	\$ 274,307

## SUPPLEMENTARY FINANCIAL INFORMATION

# North Shore School District 112

General Fund

## COMBINING BALANCE SHEET

June 30, 2011

	Educational	Tort Immunity and Judgment	Working Cash	Total
<b>ASSETS</b>				
Cash and investments	\$ 35,859,307	\$ 1,010,764	\$ 12,117,273	\$ 48,987,344
Receivables (net of allowance for uncollectibles):				
Interest	18,760	860	14,105	33,725
Property taxes	24,545,957	220,579	25,880	24,792,416
Accounts	138,757	-	-	138,757
Intergovernmental	1,816,016	-	-	1,816,016
Prepaid Items	<u>217,023</u>	<u>-</u>	<u>-</u>	<u>217,023</u>
 Total assets	 <u>\$ 62,595,820</u>	 <u>\$ 1,232,203</u>	 <u>\$ 12,157,258</u>	 <u>\$ 75,985,281</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable	\$ 2,620,717	\$ 13,953	\$ -	\$ 2,634,670
Salaries and wages payable	3,966,181	-	-	3,966,181
Compensated absences	63,623	-	-	63,623
Other current liabilities	342,000	-	-	342,000
Deferred revenue	<u>49,564,559</u>	<u>441,953</u>	<u>65,284</u>	<u>50,071,796</u>
 Total liabilities	 <u>56,557,080</u>	 <u>455,906</u>	 <u>65,284</u>	 <u>57,078,270</u>
<b>Fund balances:</b>				
Nonspendable	217,023	-	-	217,023
Restricted	-	776,297	-	776,297
Assigned	5,821,717	-	10,512,700	16,334,417
Unassigned	<u>-</u>	<u>-</u>	<u>1,579,274</u>	<u>1,579,274</u>
 Total fund balance	 <u>6,038,740</u>	 <u>776,297</u>	 <u>12,091,974</u>	 <u>18,907,011</u>
Total liabilities and fund balance	<u>\$ 62,595,820</u>	<u>\$ 1,232,203</u>	<u>\$ 12,157,258</u>	<u>\$ 75,985,281</u>

# North Shore School District 112

## General Fund

### COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES For the Year Ended June 30, 2011

	General	Tort Immunity and Judgment	Working Cash	Total
Revenues				
Property taxes	\$ 47,691,232	\$ 414,947	\$ 55,326	\$ 48,161,505
Replacement taxes	135,520	-	-	135,520
State aid	12,183,814	-	-	12,183,814
Federal aid	2,817,685	-	-	2,817,685
Interest	129,108	3,578	76,167	208,853
Other	1,856,509	23,457	-	1,879,966
Total revenues	64,813,868	441,982	131,493	65,387,343
Expenditures				
Current:				
Instruction:				
Regular programs	23,058,779	-	-	23,058,779
Special programs	8,693,876	-	-	8,693,876
Other instructional programs	5,623,669	-	-	5,623,669
State retirement contributions	8,210,912	-	-	8,210,912
Support services:				
Pupils	4,049,508	-	-	4,049,508
Instructional staff	3,872,817	-	-	3,872,817
General administration	769,430	445,613	-	1,215,043
School administration	3,061,362	-	-	3,061,362
Business	1,315,582	-	-	1,315,582
Transportation	2,892	-	-	2,892
Central	649,428	-	-	649,428
Community services	6,747	-	-	6,747
Nonprogrammed charges	3,249,145	-	-	3,249,145
Capital outlay	2,344,960	-	-	2,344,960
Total expenditures	64,909,107	445,613	-	65,354,720
Excess (deficiency) of revenues over expenditures	(95,239)	(3,631)	131,493	32,623
Other financing (uses)				
Transfers (out)	(352,393)	-	(76,167)	(428,560)
Total other financing (uses)	(352,393)	-	(76,167)	(428,560)
Net change in fund balance	(447,632)	(3,631)	55,326	(395,937)
Fund balance, beginning of year	6,486,372	779,928	12,036,648	19,302,948
Fund balance, end of year	\$ 6,038,740	\$ 776,297	\$ 12,091,974	\$ 18,907,011

North Shore School District 112  
Debt Service Fund  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011  
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			
	Original and Final Budget	Actual	Variance From Final Budget	2010 Actual
Revenues				
Local sources				
General levy	\$ 5,738,084	\$ 5,781,594	\$ 43,510	\$ 5,573,102
Interest on investments	<u>14,800</u>	<u>13,915</u>	<u>(885)</u>	<u>45,831</u>
Total local sources	<u>5,752,884</u>	<u>5,795,509</u>	<u>42,625</u>	<u>5,618,933</u>
Total revenues	<u>5,752,884</u>	<u>5,795,509</u>	<u>42,625</u>	<u>5,618,933</u>
Expenditures				
Debt service				
Debt services - interest				
Bonds - interest	<u>943,031</u>	<u>973,523</u>	<u>(30,492)</u>	<u>1,176,385</u>
Total debt service - interest	<u>943,031</u>	<u>973,523</u>	<u>(30,492)</u>	<u>1,176,385</u>
Principal payments on long-term debt	<u>6,591,714</u>	<u>6,480,399</u>	<u>111,315</u>	<u>6,333,115</u>
Other debt service				
Purchased services	-	4,350	(4,350)	1,600
Other objects	<u>7,500</u>	<u>-</u>	<u>7,500</u>	<u>-</u>
Total	<u>7,500</u>	<u>4,350</u>	<u>3,150</u>	<u>1,600</u>
Total debt service	<u>7,542,245</u>	<u>7,458,272</u>	<u>83,973</u>	<u>7,511,100</u>
Total expenditures	<u>7,542,245</u>	<u>7,458,272</u>	<u>83,973</u>	<u>7,511,100</u>

(Continued)

# North Shore School District 112

## Debt Service Fund

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			
	Original and Final Budget	Actual	Variance From Final Budget	2010 Actual
Excess (deficiency) of revenues over expenditures	\$ (1,789,361)	\$ (1,662,763)	\$ 126,598	\$ (1,892,167)
Other financing sources				
Permanent transfer of excess accumulated fire prevention & safety bond proceeds and interest earnings	1,337,700	1,337,700	-	1,288,610
Transfer to pay for principal on capital leases	401,301	315,399	(85,902)	693,116
Transfer to pay for interest on capital leases	25,413	30,493	5,080	31,705
Transfer to pay principal on debt certificates	30,000	30,000	-	30,000
Transfer to pay interest on debt certificates	5,200	5,200	-	6,175
Total other financing sources	1,799,614	1,718,792	(80,822)	2,049,606
Net change in fund balance	\$ 10,253	56,029	\$ 45,776	157,439
Fund balance, beginning of year		2,079,049		1,921,610
Fund balance, end of year		\$ 2,135,078		\$ 2,079,049

(Concluded)

North Shore School District 112  
Capital Projects Fund  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011  
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010
	Original and Final Budget	Actual	Variance From Final Budget	Actual
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Support services				
Facilities acquisition and construction services				
Capital outlay	<u>629,500</u>	<u>400,711</u>	<u>228,789</u>	<u>718,087</u>
Total	<u>629,500</u>	<u>400,711</u>	<u>228,789</u>	<u>718,087</u>
Total support services	<u>629,500</u>	<u>400,711</u>	<u>228,789</u>	<u>718,087</u>
Total expenditures	<u>629,500</u>	<u>400,711</u>	<u>228,789</u>	<u>718,087</u>
Excess (deficiency) of revenues over expenditures	<u>(629,500)</u>	<u>(400,711)</u>	<u>228,789</u>	<u>(718,087)</u>
Other financing sources				
Transfer in	629,500	400,711	(228,789)	604,803
Other sources not classified elsewhere	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,284</u>
Total other financing sources	<u>629,500</u>	<u>400,711</u>	<u>(228,789)</u>	<u>718,087</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>	-
Fund balance, beginning of year		<u>-</u>		<u>-</u>
Fund balance, end of year		<u>\$ -</u>		<u>\$ -</u>

**North Shore School District 112**  
 Fire Prevention and Safety Fund  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
 For the Year Ended June 30, 2011  
 With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Revenues				
Local sources				
General levy	\$ 1,317,837	\$ 1,327,830	\$ 9,993	\$ 1,308,150
Interest on investments	<u>1,600</u>	<u>2,939</u>	<u>1,339</u>	<u>18,497</u>
Total local sources	<u>1,319,437</u>	<u>1,330,769</u>	<u>11,332</u>	<u>1,326,647</u>
Total revenues	<u>1,319,437</u>	<u>1,330,769</u>	<u>11,332</u>	<u>1,326,647</u>
Expenditures				
Support services				
Facilities acquisition and construction services				
Purchased services	<u>450,000</u>	<u>397,123</u>	<u>52,877</u>	<u>-</u>
Total support services	<u>450,000</u>	<u>397,123</u>	<u>52,877</u>	<u>-</u>
Total expenditures	<u>450,000</u>	<u>397,123</u>	<u>52,877</u>	<u>-</u>
Excess of revenues over expenditures	<u>869,437</u>	<u>933,646</u>	<u>64,209</u>	<u>1,326,647</u>

(Continued)

**North Shore School District 112**  
 Fire Prevention and Safety Fund  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
 For the Year Ended June 30, 2011  
 With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010
	Original and Final Budget	Actual	Variance From Final Budget	Actual
Other financing sources (uses)				
Permanent transfer of excess accumulated Fire prevention & safety bond proceeds and interest earnings	<u>\$ (1,337,700)</u>	<u>\$ (1,337,700)</u>	<u>\$ -</u>	<u>\$ (1,288,610)</u>
Total other financing sources (uses)	<u>(1,337,700)</u>	<u>(1,337,700)</u>	<u>-</u>	<u>(1,288,610)</u>
Net change in fund balance	<u>\$ (468,263)</u>	<u>(404,054)</u>	<u>\$ 64,209</u>	<u>38,037</u>
Fund balance, beginning of year		<u>583,189</u>		<u>545,152</u>
Fund balance, end of year		<u>\$ 179,135</u>		<u>\$ 583,189</u>

(Concluded)

North Shore School District 112  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND - STUDENT ACTIVITY FUNDS  
Year Ended June 30, 2011

	Balance 2010	Additions	Deletions	Balance June 30, 2011
<hr/>				
Assets				
Cash and investments	\$ 232,201	\$ 350,150	\$ 352,678	\$ 229,673
	<u>232,201</u>	<u>350,150</u>	<u>352,678</u>	<u>229,673</u>
Liabilities				
Due to student groups				
Braeside	\$ 17,571	\$ 20,839	\$ 29,129	\$ 9,281
Edgewood	18,761	75,429	77,947	16,243
Elm Place	3,221	72,481	69,457	6,245
Indian Trail	1,224	2,122	2,302	1,044
Lincoln	59,629	9,723	5,962	63,390
Northwood	32,321	64,941	70,078	27,184
Oak Terrace	3,997	28,054	28,097	3,954
Ravinia	27,276	18,169	13,544	31,901
Red Oak	6,077	11,174	13,035	4,216
Sherwood	39,159	29,250	25,568	42,841
Green Bay	3,990	2,540	4,746	1,784
W. Thomas	18,975	15,428	12,813	21,590
	<u>18,975</u>	<u>15,428</u>	<u>12,813</u>	<u>21,590</u>
Total liabilities	\$ 232,201	\$ 350,150	\$ 352,678	\$ 229,673
	<u>232,201</u>	<u>350,150</u>	<u>352,678</u>	<u>229,673</u>

STATISTICAL SECTION  
(Unaudited)

## Statistical Section

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding of what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	95 - 105
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	106 - 109
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	
Debt Capacity	110 - 113
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic and Economic Information	114 - 116
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	117 - 120
These schedules contain information about the District's services and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

# NORTH SHORE SCHOOL DISTRICT 112

## Net Assets by Component

Last Nine Fiscal Years

	Fiscal Year			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 54,337,116	\$ 46,989,074	\$ 41,886,079	\$ 34,219,363
Restricted				
Student transportation	749,893	758,970	2,132,920	859,717
Retirement benefits	953,535	947,398	947,214	901,737
Capital projects	179,587	583,189	545,152	722,691
Tort immunity	776,297	779,928	673,017	631,766
Debt service	2,097,395	2,262,779	1,921,610	4,532,157
Unrestricted	<u>24,968,047</u>	<u>26,998,898</u>	<u>24,929,591</u>	<u>24,070,644</u>
Total net assets	<u>\$ 84,061,870</u>	<u>\$ 79,320,236</u>	<u>\$ 73,035,583</u>	<u>\$ 65,938,075</u>

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<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 29,587,025	\$ 25,667,659	\$ 19,922,233	\$ 21,851,903	32,485,949
-	-	-	-	-
-	-	-	-	-
1,828,715	-	-	-	2,473,869
583,401	497,800	911,182	1,111,122	894,846
1,852,125	506,460	863,515	865,459	1,049,631
<u>23,900,065</u>	<u>27,451,907</u>	<u>32,342,294</u>	<u>25,838,972</u>	<u>24,168,339</u>
<u>\$ 57,751,331</u>	<u>\$ 54,123,826</u>	<u>\$ 54,039,224</u>	<u>\$ 49,667,456</u>	<u>\$ 61,072,634</u>

# NORTH SHORE SCHOOL DISTRICT 112

Change in Net Assets  
Last Nine Fiscal Years

Expenses	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Governmental Activities:</b>									
Instruction									
Regular Programs	\$23,853,551	\$26,341,612	\$24,626,115	\$22,711,221	\$24,796,600	\$25,771,477	\$23,345,745	\$23,485,367	\$27,165,493
Special Programs	12,793,825	13,884,555	11,303,473	10,799,877	7,632,994	6,880,004	6,069,855	4,932,755	7,109,497
Other Programs	5,317,007	2,552,792	2,482,796	1,707,831	1,882,377	1,762,988	1,701,687	1,469,833	1,457,138
State On-behalf Contributions to TRS	8,210,912	8,103,609	5,789,778	3,934,895	3,192,342	2,261,955	3,447,147	3,751,062	-
Support services									
Pupils	4,527,464	3,806,825	3,774,210	3,305,016	2,919,075	3,063,407	2,624,114	2,176,258	2,029,888
Instructional Staff	4,642,304	5,085,905	4,565,034	4,818,297	3,662,683	3,216,985	2,861,031	2,545,626	2,562,336
District Administration	1,240,978	1,523,559	1,663,220	1,481,027	1,663,875	2,038,644	1,447,111	1,349,413	1,288,339
School Administration	3,214,570	3,188,089	3,172,189	2,994,651	3,052,486	2,642,844	2,625,966	2,122,293	2,088,164
Business	2,511,464	2,212,965	1,809,075	1,901,447	573,492	553,390	658,698	617,070	354,441
Transportation	2,608,868	2,844,479	2,752,630	2,531,292	2,655,297	2,720,410	3,129,272	3,187,236	3,071,646
Facilities Acquisition and Construction	-	-	-	-	569,943	1,196,574	-	-	-
Operations and Maintenance	6,602,845	6,063,593	6,009,250	6,224,724	6,237,146	4,646,476	5,413,270	8,348,249	4,521,290
Food Service	-	-	-	-	378,633	383,226	357,755	304,636	343,241
Central	738,645	747,685	675,482	710,784	672,974	512,050	629,997	491,603	489,813
Community Services	6,747	20,053	-	-	-	49,067	3,504	-	-
Nonprogrammed Charges	-	203.00	-	-	3,823,487	4,114,321	3,683,228	2,752,970	-
Interest on Debt	1,314,640	1,346,203	1,570,951	1,822,138	2,062,130	1,901,115	2,163,360	2,141,014	2,559,909
Total Governmental Expenses	77,583,820	77,722,127	70,194,203	64,943,200	65,775,534	63,714,933	60,161,740	59,675,385	55,041,195
<b>Program Revenues</b>									
<b>Governmental Activities</b>									
Charges for Services:									
Instruction									
Regular Programs	687,257	874,280	704,283	1,124,990	818,121	719,375	426,845	383,035	72,535
Special Programs	-	95,920	119,207	-	-	92,783	128,764	67,433	-
Other Programs	35,166	149,926	125,306	-	-	-	-	-	-
Support Services									
Transportation	2,361	76,035	103,072	88,390	70,179	100,879	99,299	78,483	192,160
Business	128,973	135,407	150,975	131,982	244,043	98,832	355,856	311,977	155,933
Operations and Maintenance	150,977	146,219	158,149	-	-	-	-	-	-
Operating Grants and Contributions:									
Instruction									
Regular Programs	892,656	925,559	715,089	705,190	532,302	614,453	775,145	696,843	3,407,803
Special Programs	3,364,133	3,973,873	2,766,350	2,555,034	2,141,642	2,610,136	2,585,516	2,160,297	2,440,823
Other Programs	430,644	580,787	544,831	454,492	452,393	-	-	-	221,195
Support services									
Pupils	-	9,768	10,125	9,640	-	9,645	-	-	-
Instructional Staff	114,354	257,964	217,666	166,923	-	-	-	-	117,051
Operations and Maintenance	-	-	-	-	-	693,307	424,319	496,130	147,298
Transportation	688,970	915,830	943,493	997,708	-	1,066,454	1,305,640	1,096,579	1,490,791
Business	313,853	355,763	455,812	419,923	-	253,585	5,874	5,294	151,138
Capital Grants and Contributions:									
Instruction									
Regular Programs	-	-	-	-	-	11,933	88,131	23,129	3,407,803
Special Programs	-	-	-	-	-	-	-	-	2,440,823
Other Programs	-	-	-	-	-	-	-	-	221,195
Support services									
Instructional Staff	-	-	-	-	174,462	3,263	50,031	110,313	117,051
Business	-	-	-	-	382,222	-	-	-	-
Operations and Maintenance	-	-	-	-	-	136,516	115,513	198,548	147,298
Transportation	-	-	-	-	1,096,719	-	-	-	1,490,791
Food Service	-	-	-	-	-	-	-	-	151,138
State On-behalf Contributions to TRS	8,210,912	8,103,609	5,789,778	3,934,895	3,192,342	2,261,955	3,447,147	3,751,062	3,349,753
Total Government Program Revenues	15,020,256	16,600,940	12,804,136	10,589,167	9,104,425	8,673,116	9,808,080	9,379,123	19,722,579
Net (Expense) Revenue	(62,563,564)	(61,121,187)	(57,390,067)	(54,354,033)	(56,671,109)	(55,041,817)	(50,353,660)	(50,296,262)	(35,318,616)
<b>General Revenues:</b>									
<b>Governmental Activities:</b>									
Taxes									
Property Taxes	\$63,984,815	\$62,981,918	\$59,650,168	\$57,220,044	\$54,379,286	\$51,193,332	\$48,792,541	\$47,380,412	\$44,544,398
Replacement Taxes	711,587	548,718	678,274	775,373	725,053	664,496	593,582	426,789	798,697
General State Aid	1,170,390	896,632	1,011,851	967,936	957,072	959,346	964,876	970,140	1,962,329
Investment Earnings	301,277	754,156	1,715,954	2,600,033	2,836,795	2,029,625	1,095,120	336,972	885,209
Other General Revenues	1,137,129	2,224,416	1,431,328	977,391	1,400,408	724,885	287,418	138,869	1,243,968
Total General Revenues	67,305,198	67,405,840	64,487,575	62,540,777	60,298,614	55,571,684	51,733,537	49,253,182	49,434,601
Change in Net Assets	\$ 4,741,634	\$ 6,284,653	\$ 7,097,508	\$ 8,186,744	\$ 3,627,505	\$ 529,867	\$ 1,379,877	\$ (1,043,080)	\$ 14,115,985

# NORTH SHORE SCHOOL DISTRICT 112

## Fund Balances of Governmental Funds

Last Ten Fiscal Years

	Fiscal Year			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund***				
(General and Operations and Maintenance):				
Nonspendable	\$ 217,023	\$ -	\$ -	\$ -
Restricted	2,805,351	-	-	-
Assigned	17,998,431	-	-	-
Unassigned	1,579,274	-	-	-
Reserved				
Prepaid Items	-	12,500	382,016	382,504
Self Insurance	-	-	1,051,970	1,503,653
Tort Immunity **	-	-	-	631,766
Unreserved				
Designated for self-insurance	-	794,620	1,051,970	1,503,653
Undesignated	<u>-</u>	<u>9,884,211</u>	<u>8,478,610</u>	<u>7,508,670</u>
Total General Fund	<u>\$ 22,600,079</u>	<u>\$ 10,691,331</u>	<u>\$ 10,964,566</u>	<u>\$ 11,530,246</u>
All Other Governmental Funds:				
Working Cash ***	\$ -	\$ 12,036,648	\$ 12,008,214	\$ 11,789,915
Fire Prevention and Safety *	-	583,189	545,152	690,916
Nonspendable	303,432	-	-	-
Restricted	3,061,621			
Assigned	645,562	-	-	-
Reserved				
Prepaid Items	-			
Debt Service	-	2,079,049	1,921,610	1,706,750
Unreserved				
Special Revenue	-	2,468,476	2,460,545	1,761,454
Capital Projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,775</u>
Total All Other Governmental Funds	<u>\$ 4,010,615</u>	<u>\$ 17,167,362</u>	<u>\$ 16,935,521</u>	<u>\$ 15,980,810</u>

\* - Only in years considered major, otherwise fund balance combined into nonmajor governmental funds - capital projects.

\*\* - Tort immunity became a special revenue fund for fiscal year 2009.

\*\*\* Working Cash and Tort Immunity and Judgment Funds are included in the General Fund starting in fiscal year 2011 due to the implementation of GASB Statement No. 54

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<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
393,491	382,147	6,500	-	-	-
-	796,287	750,948	874,027	563,178	467,305
583,401	497,800	911,182	1,111,122	894,846	739,005
-	-	-	-	-	-
<u>7,536,180</u>	<u>7,053,461</u>	<u>8,197,152</u>	<u>4,126,128</u>	<u>8,924,173</u>	<u>7,345,323</u>
<u>\$ 8,513,072</u>	<u>\$ 8,729,695</u>	<u>\$ 9,865,782</u>	<u>\$ 6,111,277</u>	<u>\$ 10,382,197</u>	<u>\$ 8,551,633</u>
\$ 9,961,125	\$ 9,090,866	\$ 10,695,478	\$ 9,438,854	\$ 8,496,415	\$ 7,567,084
1,788,786	-	9,556,945	-	2,064,718	4,371,387
-	-	-	-	-	-
-	-	-	-	-	-
1,511,377	245,395 1,009,688	- 1,134,825	- 1,091,166	- 1,049,631	- 1,353,485
1,860,329	1,883,240	1,799,737	5,238,577	6,080,617	5,206,520
<u>39,929</u>	<u>6,230,775</u>	<u>421,233</u>	<u>778,424</u>	<u>409,151</u>	<u>399,430</u>
<u>\$ 15,161,546</u>	<u>\$ 18,459,964</u>	<u>\$ 23,608,218</u>	<u>\$ 16,547,021</u>	<u>\$ 18,100,532</u>	<u>\$ 18,897,906</u>

# NORTH SHORE SCHOOL DISTRICT 112

## Governmental Funds Revenues Last Ten Fiscal Years

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	Fiscal Years				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Local Sources					
Total Local Sources	\$ 67,232,922	\$ 66,615,748	\$ 64,209,963	\$ 62,918,203	\$ 60,504,973
State Sources					
Total State Sources	4,661,872	4,800,845	4,581,238	4,496,510	4,331,178
Federal Sources					
Total Federal Sources	2,817,685	3,781,072	2,175,492	1,780,336	1,405,184
On-behalf Sources					
Total On-behalf Sources	<u>8,210,912</u>	<u>8,103,609</u>	<u>5,789,778</u>	<u>3,934,895</u>	<u>3,192,342</u>
 Total Revenues	 <u>\$ 82,923,391</u>	 <u>\$ 83,301,274</u>	 <u>\$ 76,756,471</u>	 <u>\$ 73,129,944</u>	 <u>\$ 69,433,677</u>

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<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 56,162,348	\$ 51,787,154	\$ 49,340,558	\$ 47,893,241	\$ 46,235,532
4,388,436	4,247,844	4,220,871	7,877,770	11,146,482
1,431,809	1,807,617	1,498,691	2,060,658	1,641,584
<u>2,261,955</u>	<u>3,447,147</u>	<u>3,751,062</u>	<u>3,349,753</u>	<u>3,006,800</u>
<u>\$ 64,244,548</u>	<u>\$ 61,289,762</u>	<u>\$ 58,811,182</u>	<u>\$ 61,181,422</u>	<u>\$ 62,030,398</u>

NORTH SHORE SCHOOL DISTRICT 112  
Governmental Funds Expenditures and Debt Service Ratio  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current expenditures	\$ <u>74,021,481</u>	\$ <u>73,858,060</u>	\$ <u>66,892,815</u>	\$ <u>61,286,127</u>	\$ <u>65,481,119</u>
Total capital outlay	\$ <u>2,691,637</u>	\$ <u>2,612,000</u>	\$ <u>3,052,079</u>	\$ <u>1,653,614</u>	\$ <u>1,493,311</u>
Debt service:					
Principal	6,480,399	6,333,115	5,610,075	4,988,861	4,274,780
Interest	<u>977,873</u>	<u>1,177,985</u>	<u>1,404,605</u>	<u>1,658,743</u>	<u>2,019,508</u>
Total debt service	<u>7,458,272</u>	<u>7,511,100</u>	<u>7,014,680</u>	<u>6,647,604</u>	<u>6,294,288</u>
Total expenditures	\$ <u>84,171,390</u>	\$ <u>83,981,160</u>	\$ <u>76,959,574</u>	\$ <u>69,587,345</u>	\$ <u>73,268,718</u>
Debt service required as a percentage of noncapital expenditures	9.15%	9.23%	9.49%	9.79%	8.77%
Debt service as a percentage of total expenditures	8.86%	8.94%	9.11%	9.55%	8.59%

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<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<u>\$ 61,576,472</u>	<u>\$ 56,590,331</u>	<u>\$ 53,295,416</u>	<u>\$ 48,493,757</u>	<u>\$ 46,524,027</u>
<u>\$ 844,281</u>	<u>\$ 1,168,381</u>	<u>\$ 4,573,916</u>	<u>\$ 3,712,999</u>	<u>\$ 7,942,083</u>
4,113,402	3,030,000	2,550,000	2,315,000	1,770,000
<u>1,937,697</u>	<u>1,882,368</u>	<u>2,144,214</u>	<u>2,580,878</u>	<u>2,478,857</u>
<u>6,051,099</u>	<u>4,912,368</u>	<u>4,694,214</u>	<u>4,895,878</u>	<u>4,248,857</u>
<u>\$ 68,471,852</u>	<u>\$ 62,671,080</u>	<u>\$ 62,563,546</u>	<u>\$ 57,102,634</u>	<u>\$ 58,714,967</u>
8.95%	7.99%	8.09%	9.17%	8.37%
8.84%	7.84%	7.50%	8.57%	7.24%

# NORTH SHORE SCHOOL DISTRICT 112

## Net Change in Fund Balances Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	Fiscal Year				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Excess of revenues over (under) expenditures	\$ (1,247,999)	\$ (679,886)	\$ (203,103)	\$3,542,599	\$ (3,835,041)
Other financing sources (uses)					
Transfers in	2,195,670	3,062,261	3,362,067	1,199,991	1,536,597
Bond proceeds	-	-	-	-	-
Premium on bonds sold	-	-	-	-	-
Accrued interest on bonds sold	-	-	-	-	-
Proceeds from capital lease	-	638,492	590,334	293,839	-
Sale of capital assets	-	-	1,800	-	-
Transfers out	<u>(2,195,670)</u>	<u>(3,062,261)</u>	<u>(3,362,067)</u>	<u>(1,199,991)</u>	<u>(1,536,597)</u>
Total other financing sources (uses)	<u>-</u>	<u>638,492</u>	<u>592,134</u>	<u>293,839</u>	<u>-</u>
Net change in fund balances	<u>\$ (1,247,999)</u>	<u>\$ (41,394)</u>	<u>\$ 389,031</u>	<u>\$3,836,438</u>	<u>\$ (3,835,041)</u>

---

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ (4,227,304)	\$ (1,381,318)	\$ (3,752,364)	\$ 729,035	\$ 3,315,431
3,776,175	4,620,000	620,000	976,377	692,481
-	10,165,000	8,835,000	20,900,000	-
-	226,134	189,754	806,292	-
-	32,365	3,510	50,792	-
-	1,773,481	(8,896,214)	(21,452,930)	-
-	-	-	-	-
<u>(3,776,175)</u>	<u>(4,620,000)</u>	<u>(620,000)</u>	<u>(976,377)</u>	<u>(692,481)</u>
-	12,196,980	132,050	304,154	-
<u>\$ (4,227,304)</u>	<u>\$ 10,815,662</u>	<u>\$ (3,620,314)</u>	<u>\$ 1,033,189</u>	<u>\$ 3,315,431</u>

**NORTH SHORE SCHOOL DISTRICT 112**  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Tax Levy Years

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<u>Tax Levy Year</u>	<u>Assessed Valuation</u>		<u>Total</u>	<u>Actual</u>	<u>Total</u>
	<u>Residential</u>	<u>Railroad</u>	<u>Equalized Assessed Value</u>	<u>Estimated Value</u>	<u>Direct Rate</u>
2010	\$ 2,621,114,126	\$ 1,665,690	\$ 2,622,779,816	\$ 7,947,817,624	2.437%
2009	2,774,384,409	1,373,833	2,775,758,242	8,411,388,612	2.313%
2008	2,848,937,065	1,175,928	2,850,112,993	8,636,706,039	2.215%
2007	NA	NA	2,740,389,897	8,304,211,809	2.186%
2006	NA	NA	2,577,404,428	7,810,316,448	2.225%
2005	NA	NA	2,354,422,964	7,134,615,042	2.312%
2004	NA	NA	2,101,536,614	6,368,292,770	2.457%
2003	NA	NA	1,962,192,004	5,946,036,376	2.538%
2002	NA	NA	1,799,519,013	5,453,087,918	2.658%
2001	NA	NA	1,717,843,268	5,205,585,661	2.624%
2000	NA	NA	1,514,540,939	4,589,517,997	2.893%

Source: Lake County Clerk's Office

Note: The county assesses property at approximately 33.3% of actual value for all types of real property. Estimated actual value is calculated by dividing assessed value by that percentage. Tax rates are per \$100 of assessed value.

NA - not available

# NORTH SHORE SCHOOL DISTRICT 112

Property Tax Rates - Direct and Overlapping Governments

Last Ten Tax Levy Years

District Direct Rates												
Tax Levy Year	NSSD 112	Highland		HSD 113	Highland		Lake County			South Lake		Total Tax Rate
		Park	County		Park	Park District	North Sanitary	Forest Preserve	Township of Moraine	College of Lake County	Mosquito Abatement	Overlapping Government
2010	2.437	0.586	0.505	1.921	0.379	0.136	0.198	0.052	0.218	0.013	4.008	6.445
2009	2.313	0.536	0.464	1.748	0.394	0.124	0.200	0.047	0.200	0.012	3.725	6.038
2008	2.215	0.515	0.453	1.660	0.380	0.121	0.199	0.045	0.020	0.011	3.404	5.619
2007	2.186	0.517	0.444	1.619	0.377	0.120	0.201	0.044	0.192	0.011	3.525	5.711
2006	2.225	0.532	0.450	1.635	0.378	0.125	0.204	0.044	0.195	0.012	3.575	5.800
2005	2.312	0.561	0.454	1.686	0.397	0.132	0.210	0.045	0.197	0.012	3.694	6.006
2004	2.457	0.624	0.465	1.758	0.422	0.139	0.219	0.047	0.200	0.012	3.886	6.343
2003	2.538	0.640	0.490	1.825	0.433	0.144	0.225	0.048	0.201	0.012	4.018	6.556
2002	2.658	0.681	0.502	1.908	0.359	0.152	0.232	0.050	0.208	0.012	4.104	6.762
2001	2.624	0.701	0.516	1.957	0.355	0.160	0.221	0.048	0.211	0.012	4.181	6.805

Source: Lake County Clerk's Office

Note: Tax rates are per \$100 of assessed value

# NORTH SHORE SCHOOL DISTRICT 112

Principal Taxpayers  
Tax Levy Year 2010 and Nine Years Ago

<u>Taxpayer</u>	<u>2010</u>		<u>2001</u>	
	Equalized Assessed <u>Valuation</u>	Percentage of <u>Total</u>	Equalized Assessed <u>Valuation</u>	Percentage of <u>Total</u>
Metzler I Renaissance Place LP	\$ 14,196,290	0.54%	\$ -	0.00%
Midwest Family Housing LLC	8,784,187	0.33%	-	0.00%
Federal Realty Invst Trst	8,180,142	0.31%	2,959,186	0.17%
Chicago Title Land Trust Co.	5,811,132	0.22%	-	0.00%
Northern Trust	5,505,293	0.21%	-	0.00%
Klairmont Family Associates LP	5,108,370	0.19%	-	0.00%
Highland Park Associates II, LLC	4,629,890	0.18%	-	0.00%
Americana Apartments	4,307,637	0.16%	3,888,947	0.23%
Sunset Food Mart, Inc.	4,129,975	0.16%	-	0.00%
Morningside Highwood LLC	3,808,426	0.15%	-	0.00%
City of Highland Park	-	0.00%	4,148,083	0.24%
Tudor Park (North Shore Estates)	-	0.00%	3,938,676	0.23%
Dominick's	-	0.00%	2,931,336	0.17%
Com Ed	-	0.00%	2,796,886	0.16%
Dayton Hudson Corp. (Target)	-	0.00%	1,840,000	0.11%
American National Bank	-	0.00%	1,810,018	0.11%
NBD Bank	-	0.00%	1,761,181	0.10%
Highland Park Hospital	-	0.00%	1,698,300	0.10%
Total Principal Taxpayers in District	<u>64,461,342</u>	<u>2.45%</u>	<u>27,772,613</u>	<u>1.62%</u>
Other Taxpayers in District	<u>2,558,318,474</u>	<u>97.55%</u>	<u>1,690,070,655</u>	<u>98.38%</u>
Total	<u>\$ 2,622,779,816</u>	<u>100.00%</u>	<u>\$ 1,717,843,268</u>	<u>100.00%</u>

Source: Moraine Township Assessor (2001)  
Lake County Tax Extension Office (2010)

# NORTH SHORE SCHOOL DISTRICT 112

## Property Tax Levies and Collections

### Last Ten Tax Levy Years

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Tax Levy Year	Taxes Levied for the Fiscal Year		Collected Within the Fiscal Year of the Levy		Total Collections to Date	
			Amount	Percentage of Levy	Amount	Percentage of Levy
2010	\$	63,917,144	\$ 31,646,316	49.51%	\$ 31,646,316	49.51%
2009		64,203,288	32,669,441	50.88%	63,984,115	99.66%
2008		63,130,003	32,302,057	51.17%	62,981,917	99.77%
2007		59,904,923	29,095,538	48.57%	59,650,168	99.57%
2006		57,347,249	28,254,769	49.27%	57,219,695	99.78%
2005		54,434,260	26,996,516	49.59%	54,310,786	99.77%
2004		51,634,754	25,463,574	49.31%	51,193,332	99.15%
2003		49,800,433	24,448,548	49.09%	48,792,540	97.98%
2002		47,831,215	15,777,174	32.99%	47,380,412	99.06%
2001		45,076,208	21,047,761	46.69%	45,343,095	100.59%

# NORTH SHORE SCHOOL DISTRICT 112

## Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	<u>Government Activities</u>		Total Primary Government	Equalized Assessed Valuation	Ratio of General Bonded Debt to Actual Estimated Value	Debt Outstanding per Capita
	General Obligation Bonds and Certificates	Capital Leases				
2011	\$ 18,275,000	\$ 666,867	\$ 18,941,867	\$ 2,622,779,816	0.23%	\$ 516
2010	24,440,000	982,266	25,422,266	2,775,758,242	0.29%	689
2009	30,080,000	1,036,889	31,116,889	2,850,112,993	0.35%	844
2008	34,975,000	941,630	35,916,630	2,740,389,897	0.42%	1,014
2007	40,897,706	1,382,706	42,280,412	2,577,404,428	0.52%	1,191
2006	43,820,000	1,400,079	45,220,079	2,354,422,964	0.61%	1,274
2005	47,560,000	1,773,481	49,333,481	2,101,536,614	0.75%	1,389
2004	40,425,000	-	40,425,000	1,962,192,004	0.68%	1,138
2003	42,215,000	-	42,215,000	1,799,519,013	0.77%	1,189
2002	43,105,000	-	43,105,000	1,717,843,268	0.83%	1,214
2001	44,875,000	-	44,875,000	1,514,540,939	0.98%	1,264

# NORTH SHORE SCHOOL DISTRICT 112

## Computation of Direct and Overlapping Debt

June 30, 2011

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	Gross Bonded Debt <u>Outstanding</u>	Overlapping <u>Percent</u>	Applicable <u>to District</u>
Taxing Authority			
Lake County Forest Preserve	\$ 286,485,000	9.145%	\$ 26,199,053
Deerfield	18,060,000	0.352%	63,571
Highland Park	18,525,000 (2)	97.386%	18,040,757
Highwood	3,800,000 (1)	100.000%	3,800,000
Deerfield Park District	3,280,000 (2)	0.380%	12,464
North Shore Sanitary District	2,787,725 (3)	27.862%	776,716
Township High School District 113	39,500,000	57.011%	22,519,345
Community College #532	<u>6,920,000</u>	9.624%	<u>665,981</u>
Total Overlapping Bonded Debt	379,357,725		72,077,887
 Direct Debt			
North Shore Schools - District 112	<u>9,930,000 (1)</u>	100.000%	<u>9,930,000</u>
 Total Overlapping and Direct Debt	<u>\$ 389,287,725</u>		<u>\$ 82,007,887</u>

Source of Information - Office of Lake County Clerk

(1) Excludes principal amounts of outstanding General Obligation (Alternate Revenue Source) Bonds which are expected to be paid from sources other than general taxation.

(2) Excludes self-supporting bonds for which abatements are filed annually.

(3) Includes bonds payable to the IEPA

Note: Percent applicable to School District is calculated using assessed valuation of the School District area value contained within the noted governmental unit divided by assessed valuation of the governmental unit.

# NORTH SHORE SCHOOL DISTRICT 112

## Legal Debt Margin Information

### Last Ten Fiscal Years

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	Fiscal Year			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assessed Valuation	\$ 2,622,779,816	\$ 2,775,758,242	\$ 2,850,112,993	\$ 2,740,389,897
Statutory Debt Limitation (6.9% of assessed valuation)	180,971,807	191,527,319	196,657,797	189,086,903
Bonded Debt June 30	<u>18,941,867</u>	<u>25,422,266</u>	<u>31,116,889</u>	<u>36,213,016</u>
Legal Bonded Debt Margin	<u>\$ 162,029,940</u>	<u>\$ 166,105,053</u>	<u>\$ 165,540,908</u>	<u>\$ 152,873,887</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	<u>10.47%</u>	<u>13.27%</u>	<u>15.82%</u>	<u>19.15%</u>

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<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 2,577,404,428	\$ 2,354,422,964	\$ 2,101,536,614	\$ 1,962,192,004	\$ 1,799,519,013	\$ 1,717,843,268
177,840,906	162,455,185	145,006,026	135,391,248	124,166,812	118,531,185
<u>40,897,706</u>	<u>43,961,996</u>	<u>48,198,656</u>	<u>39,333,834</u>	<u>41,165,369</u>	<u>41,862,499</u>
<u>\$ 136,943,200</u>	<u>\$ 118,493,189</u>	<u>\$ 96,807,370</u>	<u>\$ 96,057,414</u>	<u>\$ 83,001,443</u>	<u>\$ 76,668,686</u>
<u>23.00%</u>	<u>27.06%</u>	<u>33.24%</u>	<u>29.05%</u>	<u>33.15%</u>	<u>35.32%</u>

# NORTH SHORE SCHOOL DISTRICT 112

## Demographic and Economic Statistics

Last Ten Calendar Years

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Calendar Year	<u>Population</u>		<u>Unemployment Rate</u>		Personal  <u>Income</u>	Per Capita  <u>Personal Income</u>
	Highland		Highland			
	<u>Park</u>	<u>Highwood</u>	<u>Park</u>	<u>Highwood</u>		
2010	32,557	4,150	5.9	10.5	\$ 37,217,899	\$ 52,231
2009	31,516	5,382	2.3	5.6	NA	NA
2008	31,457	5,414	4.5	6.6	NA	NA
2007	29,772	5,645	2.9	1.4	NA	NA
2006	31,365	4,143	2.8	NA	NA	NA
2005	31,365	4,143	3.1	NA	NA	NA
2004	31,365	4,143	3.8	NA	NA	NA
2003	31,365	4,143	4.0	NA	NA	NA
2002	31,365	4,143	4.1	NA	NA	NA
2001	31,365	4,143	3.3	NA	NA	NA

Source of Information: U.S. Census Data, Sperling's Best Places website

Note: The personal income figure is for the entire County.

NA - not available

# NORTH SHORE SCHOOL DISTRICT 112

## Full-time Equivalent District Employees by Type Last Ten Fiscal Years

		Full-time Equivalent Employees as of June 30									
		<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Instruction											
Total instruction		<u>477</u>	<u>486</u>	<u>461</u>	<u>443</u>	<u>451</u>	<u>435</u>	<u>428</u>	<u>464</u>	<u>466</u>	<u>469</u>
Support Services											
Total support services		<u>153</u>	<u>158</u>	<u>155</u>	<u>144</u>	<u>135</u>	<u>146</u>	<u>148</u>	<u>145</u>	<u>163</u>	<u>164</u>
Community Services											
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total											
		<u>630</u>	<u>644</u>	<u>616</u>	<u>587</u>	<u>586</u>	<u>582</u>	<u>578</u>	<u>609</u>	<u>629</u>	<u>633</u>

Source of Information: North Shore School District Personnel Department  
(Categorization revised to conform with 2010 presentation)

# NORTH SHORE SCHOOL DISTRICT 112

Principal Nonpublic Employers  
Current Year and Nine Years Ago

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	<u>2011</u>		<u>2010</u>	
		Percentage of Total		Percentage of Total
<u>Employer</u>	<u>Employees</u>	<u>Employment</u>	<u>Employees</u>	<u>Employment</u>
Highland Park Hospital	1,200	6.9%	1,200	6.9%
Ravina Festival	531	3.1%	620	3.6%
J II Inc.	91	0.5%	182	1.1%
Opportunity Medical	-	0.0%	165	1.0%
Pickus Construction Company	-	0.0%	100	0.6%
Skokie Valley Laundry & Cleaners	85	0.5%	91	0.5%
MGTB Holdings	75	0.4%	-	0.0%

Sources: (1) 2011 and 2010 Illinois Manufacturers' News Directory  
 (2) 2011 and 2010 Illinois Services Directory  
 (3) 2011 and 2010 Harris Illinois Industrial Directory  
 (4) Phone Canvass  
 (5) Illinois Department of Employment Security

# NORTH SHORE SCHOOL DISTRICT 112

## Operating Statistics Last Ten Fiscal Years

Fiscal Year	Average Daily Attendance	Operating Expenditures	Cost Per Pupil	Percentage Change	Expenses	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil-Teacher Ratio
2011	3,935	\$59,998,244	15,246	5.18%	\$75,153,235	19,099	3.50%	477	8.3
2010	4,073	59,038,008	14,495	2.79%	75,159,464	18,453	7.60%	459	8.9
2009	4,109	57,944,941	14,102	-0.87%	70,466,445	17,149	1.56%	428	9.6
2008	3,815	54,268,458	14,226	0.18%	64,412,553	16,886	0.56%	424	9.0
2007	3,917	55,624,748	14,201	-0.65%	65,775,534	16,792	1.76%	421	9.3
2006	3,861	55,187,860	14,294	13.43%	63,714,933	16,502	12.46%	410	9.4
2005	3,929	49,509,540	12,601	6.27%	57,654,848	14,674	1.94%	409	9.6
2004	3,951	46,849,473	11,858	5.70%	56,876,465	14,395	14.00%	375	10.6
2003	4,026	45,166,005	11,219	3.38%	50,837,161	12,627	4.29%	377	10.7
2002	4,028	43,711,307	10,852	-0.14%	48,768,151	12,107	0.29%	367	11.0
2001	3,937	42,783,578	10,867	4.21%	47,529,999	12,073	2.78%	363	10.9

Source of District Personnel Department records

Informat Annual Financial Report 2001-2010 (ISBE Form SD50-35/JA50-60)

# NORTH SHORE SCHOOL DISTRICT 112

## OPERATING INDICATORS BY FUNCTION

June 30, 2011

Function	2011
Instruction	
Regular and Special student enrollment	4,486
Support Services	
Pupil	
% of student population from Non-English Language Background	16
School Administration	
Average daily attendance	3,935
Fiscal	
Purchase Orders Processed	4,507
Maintenance	
District Square Footage Maintained by Custodians and Maintenance Staff	853,000
District Acreage Maintained by Grounds Staff	96
Transportation	
Avg. number of regular pupils transported per year	2,500
Avg. number of regular bus runs to/from school	67
Extra Curricular Activities	
Number of competitive sports	11
Number of student clubs	51
% of Students eligible to file for Federally funded Free or Reduced Lunches	20.44%

Source of Information:

1. ISBE End-of-Year Report
2. District Records

**NORTH SHORE SCHOOL DISTRICT 112**  
**SCHOOL BUILDING INFORMATION**  
Last Ten Fiscal Years

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
<b>Elementary Schools -</b>										
<b>Braeside</b>										
Square Feet ***	43,636	43,636	43,636	43,636	43,636	43,636	43,636	43,636	43,636	43,636
Enrollment ****	269	279	287	293	298	277	285	274	284	264
<b>Indian Trail</b>										
Square Feet	65,403	65,403	65,403	65,403	65,403	65,403	65,403	65,403	65,403	65,403
Enrollment	387	392	390	411	414	427	436	434	457	472
<b>Lincoln</b>										
Square Feet	48,471	48,471	48,471	48,471	48,471	48,471	48,471	48,471	48,471	48,471
Enrollment	271	288	282	279	275	269	283	301	315	307
<b>Oak Terrace</b>										
Square Feet	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Enrollment	502	516	547	531	506	493	495	500	532	482
<b>Ravinia</b>										
Square Feet	51,634	51,634	51,634	51,634	51,634	51,634	51,634	51,634	51,634	51,634
Enrollment	325	313	307	302	318	297	302	311	332	321
<b>Red Oak</b>										
Square Feet	57,153	57,153	57,153	57,153	57,153	57,153	57,153	57,153	57,153	57,153
Enrollment	325	336	353	409	386	371	366	361	341	343
<b>Sherwood</b>										
Square Feet	50,863	50,863	50,863	50,863	50,863	50,863	50,863	50,863	50,863	50,863
Enrollment	371	386	389	403	390	405	410	417	416	369
<b>Wayne Thomas</b>										
Square Feet	56,221	56,221	56,221	56,221	56,221	56,221	56,221	56,221	56,221	56,221
Enrollment	342	357	367	343	336	334	371	373	410	406
<b>Green Bay**</b>										
Square Feet	60,808	60,808	60,808	60,808	60,808	60,808	60,808	60,808		
Enrollment	204	210	215	72	67	46	34	26		
<b>Totals - Elementary</b>										
Square Feet	519,189	519,189	519,189	519,189	519,189	519,189	519,189	519,189	458,381	458,381
Enrollment	2,996	3,077	3,137	3,043	2,990	2,919	2,982	2,997	3,087	2,964
<b>Middle Schools -</b>										
<b>Edgewood</b>										
Square Feet	136,492	136,492	136,492	136,492	136,492	136,492	136,492	136,492	136,492	136,492
Enrollment	573	599	584	567	563	601	568	568	555	573
<b>Elm Place</b>										
Square Feet	113,493	113,493	113,493	113,493	113,493	113,493	113,493	113,493	113,493	113,493
Enrollment	467	479	493	497	489	468	461	441	439	422
<b>Northwood</b>										
Square Feet	83,826	83,826	83,826	83,826	83,826	83,826	83,826	83,826	81,426	81,426
Enrollment	450	434	418	405	365	366	404	419	440	460
<b>Totals - Middle Schools</b>										
Square Feet	333,811	333,811	333,811	333,811	333,811	333,811	333,811	333,811	331,411	331,411
Enrollment	1,490	1,512	1,495	1,469	1,417	1,435	1,433	1,428	1,434	1,455
<b>District Totals:</b>										
Square Feet	853,000	853,000	853,000	853,000	853,000	853,000	853,000	853,000	789,792	789,792
Enrollment	4,486	4,589	4,632	4,512	4,407	4,354	4,415	4,425	4,521	4,419

\*\*Green Bay School reopened to house Pre-K programs in 2003-04 School Year.

\*\*\* Square footage represents the total square footage of the building. In 2008-09 two mobile classroom units with an aggregate square footage of 1680 were added to Northwood. These figures do not represent usable space. The determination of operating capacity is dependent on factors unique to a district and its current needs and operating guidelines. Industry wide maximum capacity reporting guidelines are not meaningful.

\*\*\*\*Enrollment data from ISBE End of Year Report for FY03 through FY10.

Enrollments from FY01 through FY02 are from District Internal 6th Day Enrollment Report.

Source of Information:

1. Architect/Engineer Data
2. ISBE End-of-Year Report

**NORTH SHORE SCHOOL DISTRICT 112**  
**TEACHER BASE SALARIES**  
 Last Ten Fiscal Years

Fiscal Year	Total Teacher FTE	Avg. Teacher Experience (Years)	Teachers with		Minimum Matrix Salary	Maximum Matrix Salary	District Average Salary
			Master's Degree (%)				
2011	364	11.5	75.2	\$	40,521	\$ 107,699	\$ 71,267
2010	374	11	72		40,001	105,329	67,226
2009	354	11	71		39,507	103,062	68,840
2008	333	11	70		38,566	100,611	66,080
2007	328	14	76		37,594	99,202	74,909
2006	326	14	76		36,103	96,318	74,169
2005	326	14	72		34,827	93,513	67,874
2004	342	14	74		33,669	90,789	61,816
2003	349	14	73		32,565	88,145	57,610
2002	342	13	76		31,652	85,578	56,032
2001	331	14	76		30,995	83,125	54,800

Source: 1. Professional Agreement between the Board of Education of the North Shore School District 112 and the North Shore Education Association  
 2. Illinois Board of Education State Report Card Website