

North Shore School District 112 Highland Park, Illinois

Comprehensive Annual Financial Report

For the fiscal year ended
June 30, 2010



Mission Statement: “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, 2010

Prepared by:

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North Shore School District 112
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2010

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INTRODUCTORY SECTION



North Shore School District 112

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"Lighting the Way"

December 29, 2010

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–NSSD 112), Highland Park, Illinois, for the fiscal year ended June 30, 2010, is attached. The report was prepared by the Assistant Superintendent for Business and Operations. The report date on the underlying financial statements is December 29, 2010, 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, day care, 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. 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.

*To nurture every child as an individual; To empower every child as a learner;
To inspire every child to become a contributing member of the community.*

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, designations of management, and issuance of debt.

Enrollment for the fiscal year ended June 30, 2010, as submitted to the Illinois State Board of Education in the End of Year Report (*ISBE 87-04*), was 4,589, down from 4,632 in the previous year. This decrease of 43 students from the previous year, or 0.93%, 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 2000 was 4,392, compared to 4,589 in fiscal 2010. Generally the movements in recent years, other than the approximate 200 student growth related to the military housing development, are due to housing turnover. 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 is working with local political representatives to promote legislative language that will enable restoration of additional debt capacity lost through consolidation of 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 federal funds, 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 impact aid revenue recognized in fiscal 2010 was \$570,000 versus \$20,000 in fiscal 2009. 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, for what is believed to be the next couple of years, is also subject to renewed legislative authorization approvals, which are considered likely at this point. Current Federal Impact Aid payments to the District at our approximate \$4,200 per student level versus a potential \$800 per student level for the longer term is dependent on the success 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 anticipated to be a challenge given the effect of the economy on new construction and on the naval housing project.

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 stable, and the prospect of additional property tax revenue is good. The two towns that District 112 serves each have distinct personalities and characteristics. According to the 2000 census, the median household income was \$42,993 in Highwood and \$100,967 in Highland Park. Highwood’s median house value was \$229,200; although this may change at a disproportionately favorable rate, given the perceived affordability of Highwood housing. Highland Park’s median house value on the 2000 census was \$380,000, which was 90% higher than the median value of \$198,200 for Lake County and 190% higher than \$130,000 for the state. While the actual values may have changed with the economic recession, it is believed that the relative values have not.

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.

The recent and current downturn in the financial and real estate markets has had a generally negative impact on housing values. However, under current “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 relative negative financial impacts in relative terms are anticipated to continue to be less.

In fiscal 2010, the District was benefited through the receipt of property tax revenues based on a CPI percentage growth of 4.1% and additional tax base from continued higher than expected new construction. The percentage increase in CPI was the highest since tax cap legislation was implemented. The CPI percentage calculation in general is based on year-old economic indicators and performance and the related tax revenues are paid two fiscal years later. As a result, the additional revenues received in fiscal 2010 were used, in part, to cover costs of economic increases, 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.

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, NSSD. In consideration of all of these 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 2011 operations is 0.1%; the lowest percentage since tax cap legislation was implemented. This virtually no growth percentage increase is the lagged reflection of the economic downturn of late 2008. 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 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 Directors 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 and maintain a quality education plan which included continued expansion of technology and assessment of student achievement capability, while reducing operating cost by nearly \$2 million and maintaining operating fund balances in excess of \$20 million.

Fiscal 2012 operations will be affected by a 2.7% CPI percentage increase; one that approximates 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 2012 will decrease nearly 50% from the previous year and the fifteen year average and nearly 75% from the highest year. Expenditure commitments will increase as will technology and facility needs. 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, a projected at best average CPI percentage factor and a continually reduced new construction tax benefit 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 obtain new labor cost commitments related to most of its employees.

COMMUNITY ATTRIBUTES

NSSD 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 school year:

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 in fiscal 2011:

Strategy #1 (Plan/Results 1,2,3,4 & 5; address in fiscal 2011)

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; address in fiscal 2011)

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; address in fiscal 2011)

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; address in fiscal 2011)

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; address in fiscal 2011)

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; address in 2011)

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; address in 2011)

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

The Illinois State Board of Education, for the ninth year, conducted the Illinois Standards Achievement Test (ISAT) for students in grades three, four, five, six, seven, and eight. The District standard has been for all students to meet or exceed the state of Illinois learning standards. Assessment outcomes are presented in the following table. The ISAT tests are designed to emphasize individual student results, although school and District achievement results are also a part of the No Child Left Behind analysis. The results of the ISAT testing for 2010 are as follows:

2010 Illinois Standards Achievement Test - (ISAT)

All Students

Reading:	87% of the District's third graders meet or exceed state goals.
	84% of the District's fourth graders meet or exceed state goals.
	91% of the District's fifth graders meet or exceed state goals.
	92% of the District's sixth graders meet or exceed state goals.
	96% of the District's seventh graders meet or exceed state goals.
	95% of the District's eighth graders meet or exceed state goals.
Mathematics:	95% of the District's third graders meet or exceed state goals.
	92% of the District's fourth graders meet or exceed state goals.
	95% of the District's fifth graders meet or exceed state goals.
	93% of the District's sixth graders meet or exceed state goals.
	96% of the District's seventh graders meet or exceed state goals.
	93% of the District's eighth graders meet or exceed state goals.

Science:	86% of the District's fourth graders meet or exceed state goals. 94% of the District's seventh graders meet or exceed state goals.
Writing:	80% of the District's third graders meet or exceed state goals. 83% of the District's fifth graders meet or exceed state goals. 87% of the District's sixth graders meet or exceed state goals. 86% of the District's eighth graders meet or exceed state goals.

In 2010 the North Shore School District made Annual Yearly Progress (AYP), but two elementary schools, Oak Terrace and Red Oak, failed to do so. Oak Terrace made AYP in math in ALL and all subgroups. Oak Terrace made AYP in reading in the white subgroup and made AYP in reading through safe harbor in all of the other subgroups (Hispanic, LEP, low income) except for a new subgroup of disabled students. They also failed to make AYP for the ALL group in reading because there is no safe harbor target for the school as a whole. Red Oak also failed to make AYP in reading in a new subgroup for them, low-income students. In every other group and subgroup, Red Oak made AYP in both reading and math. This is the first year that Red Oak has not made AYP in any area. There is no sanction for year one.

The District responded to the need for extra support at those two elementary schools. An intern administrator was hired for Oak Terrace so the principal can 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. For Red Oak, the District hired a 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 District-wide financial statements for fiscal year 2010 reflect an overall increase in net assets for the year of \$6,284,653. This increase represents a current year financial benefit to the accrual based District-wide financial statements not reflected in the 2010 modified accrual based fund financial statements. The aggregate fund balances effectively remained unchanged 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 District-wide financial statements, the effects of long-term debt, issuances and payments are reflected in the balance sheet and as a related charge in the statement of net assets. The difference in accounting for fiscal 2010 debt transactions between fund and District-wide financials was approximately \$5.5 million of net debt payments. In addition, in fiscal 2010, the District's aggregate depreciation expense related to capital items, as reflected in the District-wide financial statements, was approximately \$0.1 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 2010 were primarily the result of different methods of accounting for revenue deferrals. The overall 2010 decrease in all funds in the District's fund financial statements was approximately \$41,000.

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 \$23 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.

In fiscal year 2010, the District substantially achieved this objective in regards to its primary operating funds. Combined, there was a decrease in these fund balances for the year of \$343,965. However, this net decrease was less than the planned use of previously accumulated funds to address anticipated facility and operating needs.

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 capital expenditures of approximately \$500,000 were made using accumulated fund balances in fiscal 2009 and approximately \$700,000 in fiscal 2010. Fund balance payments for additional facility needs are also anticipated in the future and are incorporated in the previously described projected deficit spending amounts. Payments are anticipated to be made within the continued objective of maintaining operating fund balance reserves equal to at least 25% of expenditures.

Included in the fiscal 2010 operating results was the receipt of approximately \$1,251,000 of federally funded "Economic Stimulus" (American Recovery and Reinvestment Act – ARRA) revenues. The state used approximately \$200,000 of the revenues to offset and supplant an equal portion of its existing General State Aid payment obligations to the District. The majority of the District's ARRA stimulus revenue, approximately \$886,000, was used to pay for a portion of the District's obligated \$1.4 million share of the cost of capital improvements to facilities of its NSSD special education cooperative fully paid in fiscal 2010. A remaining amount of approximately \$165,000 was used primarily to address additional current year AYP needs at Oak Terrace Elementary School which, if needed in future years, are anticipated to be funded with increased payments from existing federal funding sources.

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 2009-2010 school year, the Foundation conducted many fund-raising efforts. In excess of \$65,000 of funds donated to the District were used 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, 2009 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, 2009. 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 2010 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, 2010 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 appropriated 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 appropriated 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 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 2010, these types of investments continued to represent substantially all of the District's portfolio. 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 2010, the District was a member of the Collective Liability Insurance Cooperative (CLIC) for property, casualty, and liability insurance through the pooling of 165 school Districts. It was also a member, with 121 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.

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 audit of the financial statements as of June 30, 2010 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.

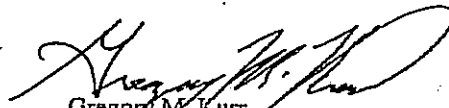
Acknowledgments

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,



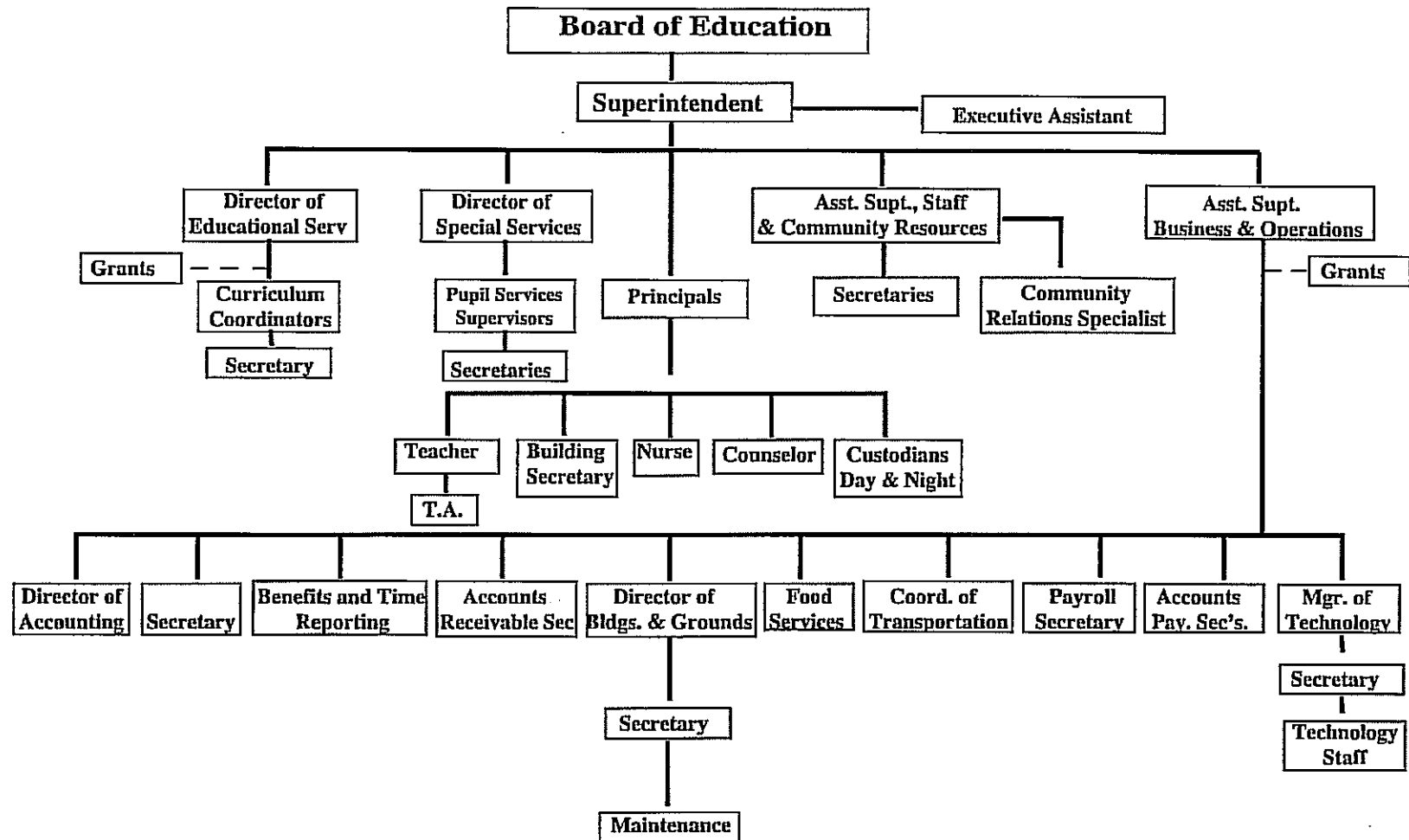
David L. Behlow, Ph.D.
Superintendent of Schools



Gregory M. Kurr
Assistant Superintendent for
Business and Operations

ORGANIZATIONAL CHART

North Shore School District 112



**NORTH SHORE SCHOOL DISTRICT 112
1936 Green Bay Road
Highland Park, IL 60035**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

Officers and Officials

Board of Education

		<u>Term Expires</u> (April)
Rebecca Baim	President	2011
Bruce D. Hyman	Vice President	2011
Mindy Leshin	Member	2011
Marcia Bogolub	Member	2013
Howard Metz	Member	2013
Cynthia R. Plouche	Member	2013
Jane Solmor-Mordini	Member	2013

District Administration

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

Official Issuing Report

Gregory M. Kurr, C.P.A.
Assistant Superintendent for
Business & Operations

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, 2009

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 112
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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.



President

Executive Director

FINANCIAL SECTION

MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

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, 2010, 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, 2009 financial statements and, in our report dated December 22, 2009, 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, 2010, 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)

In accordance with *Government Auditing Standards*, we have issued our report dated December 29, 2010, 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 20, the Illinois Municipal Retirement Fund and Other Postemployment Benefits historical data on pages 54 and 55, and the budgetary comparison information, and notes to the required supplementary information on pages 56 through 77 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.



Certified Public Accountants

Deerfield, Illinois
December 29, 2010

North Shore School District 112

Management's Discussion and Analysis

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, 2010. 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.

The Management's Discussion and Analysis (MD&A) 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, 2010, the District has \$79.3 million in net assets and \$171.7 million of total assets, approximately \$64 million of which is in cash and investments. In fiscal 2010, the District again achieved an increase in its net assets. The increase was equal to approximately \$6.3 million from operations for the year ended June 30, 2010. The District's financial status continues to be strong.
- The District's traditional modified accrual-based fund financial statements also reflect a strong financial position as of June 30, 2010, with total governmental fund assets of \$99.0 million and total governmental fund balances of \$27.8 million. Approximately \$12.0 million of the total fund balance is in the District's Working Cash Fund as of June 30, 2010; a fund typically viewed as a long-term savings fund.

During fiscal 2010, overall governmental fund revenues, including another financing source from capital lease proceeds, were \$83.9 million. Expenditures were \$84.0 million. This resulted in an excess of expenditures over revenues for the year of \$41,394.

The approximate \$6.3 million difference between the \$6,284,653 increase in net assets in the District-wide accrual-based financial statements, as compared to the \$41,394 decrease in the modified accrual-based fund financial statements, primarily results from an approximate \$5.5 million difference in 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 2010, the District's aggregate depreciation expense related to capital items as reflected in the District-wide financial statements was approximately \$0.1million 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 2010 were primarily the result of different methods of accounting for revenue deferrals.

- 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 \$343,965. The Education and Working Cash Funds, however, were increased by \$114,189 and \$28,434, respectively. The aggregate operating fund decrease was primarily the result of planned use of previously accumulated fund balances for anticipated future facility improvement needs incurred in fiscal 2010. The net facility and operating cost reserve funding needs were less than planned due to use of expenditure controls during the year. In total, however, additional capital expenditures of approximately \$500,000 were made using accumulated fund balances in fiscal 2009 and approximately \$700,000 of expenditures were planned in fiscal 2010. 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.

North Shore School District 112

Management's Discussion and Analysis

As a result, fund balance payments for additional facility needs are also anticipated in the future and are incorporated in the District's financial projections. Payments to be made within the continued objective of maintaining operating fund balance reserves equal to at least 25% of expenditures.

- 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 positive 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 (4.1% for fiscal 2010; the highest level since the introduction of tax caps) or 5%, plus a factor for new construction, and permits subsequent year property tax revenue reductions for the impact of prior year property tax appeals. Overall, property tax revenues increased approximately 5.6% or \$3.3 million in fiscal 2010.

In fiscal 2010, the District was benefited through the receipt of property tax revenue based on a CPI percentage growth of 4.1 %. This percentage increase was the highest since tax cap legislation was implemented. The CPI percentage calculation in general is based on three year old economic indicators and performance. The related tax revenue is paid nearly two years later. As a result, the additional revenues received in fiscal 2010 were used in part to cover economic cost increases for such items as fuel dependent utility costs, expended in fiscal 2007.

The District also received additional property tax revenues related to the impact of the continuation of new construction, primarily new military housing. In addition, the effect of property tax appeals was less than anticipated in fiscal 2010.

The increase in fiscal 2010 property tax revenues in excess of those that were anticipated 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; in doing so, covering the cost of newly negotiated labor contracts and facility improvement and other operating needs, including investing in educational technology.

- Unexpected federal stimulus funds were consciously used to primarily fund nonrecurring costs. Included in the fiscal 2010 operating results was the receipt of approximately \$1,245,000 of federally funded "Economic Stimulus" (American Recovery and Reinvestment Act – ARRA) revenues. The state used approximately \$200,000 of the revenues to offset and supplant an equal portion of its existing General State Aid payment obligations to the District. The majority of the District's ARRA stimulus revenue, approximately \$886,000, was used to pay for a portion of the District's obligated \$1.4 million share of the cost of capital improvements to facilities of its NSSD special education cooperative fully paid in fiscal 2010. A remaining amount of approximately \$165,000 was used primarily to address additional current year AYP needs at Oak Terrace Elementary School which, if needed in future years, are anticipated to be funded with increased payments from existing federal funding sources.
- 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 federal funds, 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 impact aid revenue recognized in fiscal 2010 was approximately \$570,000 versus \$20,000 in fiscal 2009.

North Shore School District 112

Management's Discussion and Analysis

- Revenues from other federal sources increased by approximately \$36,100 during 2010. The growth in state revenue support, net of annual state pension contributions, was approximately \$91,200 during the year. State revenue increases related primarily to general state aid and special education needs.
- A decrease in earnings on investments of approximately \$961,800 during 2010 resulted from earnings rates for new investments that declined during fiscal 2010. The benefit of interest income, however, remains as a significant help in offsetting increased operating costs. During the continuation in fiscal 2010 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 prior year.
- Enrollment for the fiscal year ended June 30, 2010, based on the state of Illinois End of Year Report, was 4,589, down from 4,632 in the previous year. This decrease of 43 students from the previous year, or 0.93%, 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.

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 2010. Other than the Fort Sheridan development and rebuilt homes on existing property sites, there was minimal new development in the District. 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 2009-2010 school year, excluding the payment of approximately \$1.4 million for NSSD facilities in part with use of \$886,352 of federal stimulus ARRA funds, approximately \$1.8 million was spent on facility improvements and equipment expenditures from all funds. In addition, capital lease obligations related primarily to classroom technology increased by approximately \$638,000. Significant capital projects included a roof replacement, paving, concrete, sewer, HVAC and site and improvement work at most schools. The majority of the expenditures were for infrastructure items.
- The District's total debt service expenditures for fiscal 2010 was approximately \$7.5 million, as funded primarily by specific levies.
- In consideration of all of these 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.

North Shore School District 112

Management's Discussion and Analysis

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.
- 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.

North Shore School District 112 Management's Discussion and Analysis

- 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, an Operating Fund, is primarily for qualified tort claims and the cost of risk management activities. The Capital Projects Fund (formally 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.
- Other funds, such as Working Cash, 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* – 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.
- *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* – 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* – is used to account for revenues and expenditures related primary 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.

North Shore School District 112 Management's Discussion and Analysis

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.

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 trustee, 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

North Shore Schools District 112's Net Assets				
	FY 2010	FY 2009	\$ Change	% Change
Current and other assets	\$99,271,751	\$ 100,524,840	\$(1,253,089)	(1)%
Capital assets and land	72,411,340	72,321,124	90,216	0%
Total assets	\$171,683,091	\$172,845,964	(1,162,873)	(1)%
Long-term debt outstanding	\$24,908,680	\$30,493,576	(5,584,896)	(18)%
Other liabilities	67,454,175	69,316,805	(1,862,630)	(3)%
Total liabilities	\$92,362,855	\$99,810,381	(7,447,526)	(7)%
Net assets				
Invested in capital assets, net of related debt	\$46,989,074	\$41,886,079	5,102,995	12%
Restricted	5,332,264	6,219,913	(887,649)	(14)%
Unrestricted	26,998,898	24,929,591	2,069,307	8%
Total net assets	\$79,320,236	\$73,035,583	\$6,284,653	9%
Total Liabilities and Net Assets	<u>\$171,683,091</u>	<u>\$172,845,964</u>		

The District's operations for fiscal 2010 contributed an additional \$6,284,653 to the net assets of the District. Funds from this net asset growth combined with a \$1,162,873 depletion of assets resulted in a \$7,447,526 million reduction in liabilities for the year. Net assets grew to \$79,320,236 as of June 30, 2010.

North Shore School District 112 Management's Discussion and Analysis

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 2010 in accordance with scheduled debt payments. Other liabilities decreased as of June 30, 2010, primarily due to the timing of payment of certain significant services, medical claims, and certain contractor costs.

Changes in North Shore School District 112's Net Assets

Increases (Decreases) from Governmental Activities

	FY 2010	% Total	FY 2009	% Total	Increase (Decrease)	% Chg.
Revenues:						
Program revenues:						
Charges for services	\$ 1,477,787	2%	\$ 1,360,992	2%	\$ 116,795	9%
Operating grants and contributions	7,019,544	8%	5,653,366	7%	1,366,178	24%
State retirement contributions to TRS	8,103,609	10%	5,789,778	8%	2,313,831	40%
General revenues:						
Property taxes	62,981,918	75%	59,650,168	77%	3,331,750	5%
Replacement taxes	548,718	1%	678,274	1%	(129,556)	(19)%
State and Federal aid not restricted to specific purposes	1,961,053	2%	1,519,397	2%	441,656	29%
Investment earnings	754,156	1%	1,715,954	2%	(961,798)	(56)%
Miscellaneous	1,159,995	1%	923,782	1%	236,213	25%
Total revenues	84,006,780	100%	77,291,711	100%	\$ 6,715,069	9%
Expenses: (1)						
Instructional services:						
Regular programs	26,341,612	34%	24,626,115	35%	1,715,497	7%
Special programs	8,184,478	11%	7,552,074	11%	632,404	8%
Other programs	2,552,792	3%	2,482,796	3%	69,996	3%
State retirement contributions	8,103,609	10%	5,789,778	8%	2,313,831	40%
Supporting services:						
Pupils	3,806,825	5%	3,774,210	5%	32,615	1%
Instructional staff	5,085,905	6%	4,565,034	7%	520,871	11%
District administration	1,523,559	2%	1,663,220	2%	(139,661)	(8)%
School administration	3,188,089	4%	3,172,189	5%	15,900	-%

North Shore School District 112 Management's Discussion and Analysis

	FY 2010	% Total	FY 2009	% Total	Increase (Decrease)	% Chg.
Business operations	\$ 1,743,562	2%	\$ 1,320,046	2%	\$ 423,516	32%
Transportation	2,844,479	4%	2,752,630	4%	91,849	3%
Operations and maintenance	6,063,593	8%	6,009,250	9%	54,343	1%
Food internal services	489,456	1%	489,029	1%	427	-%
Central and staff services	747,685	1%	675,482	1%	72,203	11%
Nonprogrammed tuition charges	5,700,280	7%	3,751,399	5%	1,948,881	52%
Interest and fees on debt	1,346,203	2%	1,570,951	2%	(224,748)	(14)%
Total expenses	\$77,722,127	100%	\$70,194,203	100%	\$ 7,527,924	11%
Change in Net Assets	6,284,653		7,097,508			
Net Assets, beginning	\$73,035,583		\$65,938,075			
Net Assets, ending	\$79,320,236		\$73,035,583			

(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.

The state of Illinois limits the increase in property tax revenue to no more than the prior year's Consumer Price Index, 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. For the 2010 fiscal year, the effect of new construction again provided more unexpected property tax revenue than the levy CPI effect of 4.1%. In spite of the economic decline, there was a less than expected reduction in the level of additional new property related to fiscal 2010. However, due to poor economic conditions in fiscal 2010, the new property benefit was offset in part by the effect of successful post extension property tax assessment appeals. The combined effects resulted in a property tax revenue increase in fiscal 2010 of 5.6%, or \$3,331,750.

The District's total revenue in fiscal 2010 increased 9% from \$77,291,711 to \$84,006,780; an increase of \$6,715,069 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 40% or \$2,313,831 from an allocation of \$5,789,778 in fiscal 2009 to \$8,103,609 in fiscal 2010. This increase is due primarily to an effort by the state 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 2010 increased \$4,401,238 or 6.1% from \$71,501,933 in fiscal 2009 to \$75,903,171 in fiscal 2010. The following are some of the more significant causes of the increase:

North Shore School District 112

Management's Discussion and Analysis

A primary factor causing the increase in fiscal 2010 revenues was the economic impact of the \$3.3 million, 5% property tax increase discussed above. However, the District experienced declines in other traditional revenue sources. Replacement tax revenues decreased by \$129,556. More notably following a 2+ year trend, earnings on investments decreased 56% on a similar invested base, resulting in nearly \$1 million less revenue in fiscal 2010. Charges for District services and other miscellaneous revenues increased by approximately \$350,000 to offset some of revenue reductions, however, approximately \$40,000 of the increase related to reimbursement for additional special education costs that were incurred. The balance of the increase in miscellaneous revenues relates primarily to separating federal rebate revenues related to telephonic usage from the cost of usage in 2010 and to non-recurring items such as refunds of prior year insurance claim reserves.

State and federal general funding increased by a combined amount of \$441,656 in fiscal 2010. This increase was primarily due to the increased federal impact aid funding for students of military families, obtained through special legislation promoted through local political representatives. The \$1.4 million increase in revenues from federal and state operating grants primarily relates to federal "stimulus" funding under the American Recovery Reinvestment Act (ARRA) which generated approximately \$1.1 million of additional funds in fiscal 2010. These unexpected federal stimulus funds were consciously used to primarily fund nonrecurring costs, including \$886,352 used pay a portion of the District's \$1.4 million share of new facility costs for its special education cooperative, NSSD. Other increases in grant revenues were primarily provided to cover, in part, increases in costs of qualified programs and student needs.

Collection of the state's portion of grant funding during the year was significant delayed at best, if not doubtful. At the date of this writing the District is still owed in excess of \$900,000 from fiscal 2010 state obligations. The economic condition of the state of Illinois does not suggest that this situation will improve in fiscal 2011. 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 2010 was \$77,722,127. This represented a \$7,527,924 or an 11% growth over the 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 increase in fiscal 2010 was 8%, or \$5,214,093, resulting in accrual based expenses of \$69,618,518 in fiscal 2010 versus \$64,404,425 in fiscal 2009.

Instructional services including regular, special, and other educational programs accounted for 48% of all expenses, or \$37,078,882. The increase in these instructional program categories from the prior year, in the total amount of \$2,417,897 or 7%, 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, student program growth primarily in the area of special education services and additional capital improvement and equipment support.

Supporting services for students, instructional staff, district administration, school administration, and business operations accounted for 19%, or \$15,347,940, of all expenses. The cost of these support services was 21% of total expenses in the prior year. This was the result of efforts to control and relocate certain support staff and the related costs, which included an 8% reduction in district administrative costs and a nominal \$15,900 increase in school administrative costs. The majority, \$413,000, of the increase in business operations expenses between years was related to increased depreciation compared to actual capital expenditures in fiscal 2010.

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Operations and maintenance of facilities, including depreciation expenses, net of capitalized capital project costs remained relatively stable between fiscal 2009 and fiscal 2010 at approximately \$6,000,000. 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 4% of all expenses. Costs increased \$91,849, or 3%, from the prior year due primarily to the contractual increases. Overall, the District experiences a cost and efficiency benefit from outsourcing transportation services. It is anticipated that these annual cost savings will continue to be experienced in future years based on the projected bid results of a new five year contract effective beginning with the 2010-2011 school year.

Nonprogrammed charges increased \$1,948,881 in fiscal 2010. However, after payment of the nonrecurring \$1.4 million cost of facility improvements at NSSED, the District's special education cooperative, the recurring portion of these costs increased by approximately \$500,000 primarily due to addressing additional specific student needs. The majority of these services are provided by the Northern Suburban Special Education District (NSSED) 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.

Interest and fee expenses related to long-term obligations decreased by \$224,748 in fiscal 2010 primarily due to scheduled payments of a reduced debt profile.

Overall, in fiscal 2010 on an accrual basis of accounting used in the government-wide financial statements, revenues of \$84,006,780 exceeded expenses of \$77,722,127, thereby increasing net assets by \$6,284,653. This compared to a \$41,394 decrease in modified accrual based governmental fund balances in fiscal 2010 as reflected in the District's Fund Financial Statements. The difference in 2010 net operating results is primarily due to differing accounting rules affecting the government-wide and government fund financial statements. There was approximately \$5.5 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.

North Shore School District 112 Management's Discussion and Analysis

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, 2010, including the amount and percentage of increases and decreases in relation to prior year revenues:

ALL FUNDS REVENUE	Year Ended 6/30/10	% of Total	Year Ended 6/30/09	% of Total	Inc.(Dec.) from 6/30/09	% Change
Property taxes	\$ 62,981,918	76%	\$ 59,650,168	78%	\$ 3,331,750	5%
Earnings on investments	754,156	1%	1,715,954	2%	(961,798)	(56)%
Other	2,879,674	3%	2,843,841	4%	35,833	1%
Total local sources	66,615,748		64,209,963			
State sources	4,800,845	6%	4,581,238	6%	219,607	48%
On-behalf payments	8,103,609	10%	5,789,778	7%	2,313,831	40%
Federal sources	3,781,072	4%	2,175,492	3%	1,605,580	74%
Total Revenue	\$ 83,301,274	100%	\$ 76,756,471	100%	\$ 6,544,803	9%

While total revenues increased \$6,544,803 or 9% in fiscal 2010, 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 2010 revenue increase was \$4,230,972 or 6%.

Local property taxes remain the most significant revenue source to North Shore School District 112. Revenue from local taxpayers in the form of real estate taxes increased 5.6% due to the 4.1% rise in the Consumer Price Index, the added benefit of continued construction of new apartment buildings and residential housing, offset by the negative effect of the higher than anticipated successful post extension property tax appeals.

State sources of revenue increased slightly, by \$219,607, due primarily to increased student needs and overall funding increases by the state.

On-behalf payments that the state of Illinois pays into the state's teachers' pension fund for employees increased 40%, or \$2.3 million, based on an effort by the state 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 also increased during fiscal 2010. While the total increase was \$1,605,580 or 74%, approximately \$1.1 million of the increase related to nonrecurring federal ARRA stimulus funds. The recurring federal source revenues increased approximately \$500,000 in fiscal 2010 due primarily to an increase in impact aid funding related to students of military families with the balance substantially for students in need special education services.

Earnings on investments decreased significantly by 56% or \$961,798 during fiscal 2010, due primarily to decreasing interest rates and a continued decline in the economy. During fiscal 2009, earnings on investments declined by 34% or \$884,079. Over the two year period annual earnings on a relatively consistent principal base have declined approximately \$1.8 million.

North Shore School District 112 Management's Discussion and Analysis

Other revenue remained relatively stable between years. The net increase of \$35,883 primarily represents the benefit of nonrecurring insurance refund revenues off set by decreased student fees related to the effects of decreased enrollment and increased fee waivers for economic relief.

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.

ALL FUNDS EXPENDITURES	Year Ended 6/30/10	% of Total	Year Ended (1) 6/30/09	% of Total	Inc.(Dec.) from 6/30/09	% Change
Instruction (2)	\$ 35,525,913	42%	\$ 34,126,110	44%	\$ 1,399,803	4%
On-behalf payments	8,103,609	8%	5,789,778	8%	2,313,831	40%
Support and comm. services	23,621,741	30%	23,225,528	30%	396,213	2%
Nonprogrammed charges (2)	5,700,280	7%	3,751,399	5%	1,948,881	52%
Debt service	7,511,100	9%	7,014,680	9%	496,420	7%
Capital outlay	3,518,517	4%	3,052,079	4%	466,438	15%
Total Expenditures	\$ 83,981,160	100%	\$ 76,959,574	100%	\$ 7,021,586	9%

(1) Certain year end 6/30/09 balances have been revised to conform with the year end 6/30/10 presentation.

(2) Nonprogrammed 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 "Nonprogrammed Charges" category in the financial statements.

While total expenditures increased \$7,021,586 or 9% in fiscal 2010, 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 2010 expenditure increase was \$4,707,755 or 7%.

The cost of instruction increased \$1,399,803 over the prior year. This 4% increase was due in part to salaries for teachers increasing contractually an average 3.8% as stipulated in their contract, adjusted for the benefit effect of the early retirement programs paying 6% increases and an additional approximate 3.5% increase for each three credit hour advancement towards a Masters Degree. Support staff contractual salary increases were 4.25% for the year. In addition, growth in personnel to address increased student needs added to costs. The early retirement incentive program also decreases future operating costs, as new employees are hired at a reduced cost.

On-Behalf payments that the state of Illinois pays into the teachers' pension fund for employees increased 40%, or \$2.3 million, based on an effort by the state 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 increased 2% or \$396,213. This increase was primarily the result of the effect of contractual salary increases described above offset, in recognition of the state of the economy, by the affects of a restructuring of the technology department and of a salary freeze approach for administrators.

North Shore School District 112

Management's Discussion and Analysis

Nonprogrammed charges for tuition and service payments to other government units and private facilities overall increased 52%, or \$1,948,881 in fiscal 2010. However, after payment of the nonrecurring \$1.4 million cost of facility improvements at NSSED, the District's special education cooperative, the recurring portion of these costs on a modified accrual basis increased by approximately \$500,000 primarily due to addressing increased specific student needs.

Debt service expenditure increased 7%, or \$496,420, due to the bond payment schedules and additional capital financing leases for certain computer equipment.

Capital outlay expenditures, without consideration of Fire Prevention and Safety Fund purchased services for capital type expenditures of approximately \$163,000 in 2009 and none in 2010, increased 15%, or \$466,438 net. This additional expenditure level reflects the continued emphasis by the District over the past two 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 and in fiscal 2010. This approach included planned spending of approximately \$531,000 in fiscal 2009 and \$718,000 in fiscal 2010 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. Previously, the District also included the Tort Immunity and Judgment Fund as an operating fund. At June 30, 2010 inclusion of this fund would add \$779,928 to the operating fund balance. The operating funds provide the resources for our educational program 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 \$603,602, and expenditures were more than budget by \$728,882 before consideration of fund balance transfers for capital lease payments and capital projects. After consideration of these transfers, actual effective operating fund expenditures were \$915,368 more than budgeted amounts in fiscal 2010. The net effect was an unfavorable variance to the operating budget for fiscal 2010 of approximately \$312,000. The majority of the expenditure variance related to unexpected facility improvement costs. The additional unbudgeted revenues received in fiscal 2010 were substantially from property taxes related to unanticipated continuation of new construction in the community. These revenues were primarily used for the facility costs and additional student service needs in the area of special services or intervention programs.

During fiscal 2010, part of the operating funds was also impacted by a net increase from budget of other financing sources. This increase was primarily due to unbudgeted proceeds of approximately \$638,500 received in connection with a capital financing lease that was entered into during fiscal 2010.

The combined operating fund balance of the Educational, Operations and Maintenance, Transportation, and Working Cash Funds as of June 30, 2010 was \$23.5 million. This was a decrease of \$343,965 from the previous year's balance of \$23.8 million. As of June 30, 2010, the District's Working Cash Fund portion of the operating fund balance was \$12 million, or \$28,400 higher than the previous year. There was a \$184 nominal increase in the Municipal Retirement/Social Security Fund in 2010, which approximated the budgeted effect. There was an approximate \$111,500 favorable variance to the budgeted 2010 increase to the Debt Service Fund that was primarily due to higher than expected property tax receipts.

North Shore School District 112 Management's Discussion and Analysis

Variances from budget in 2010 in the Fire Prevention and Life Safety Funds were substantially the result of general life safety projects allocated in the budget but not needed in the current year.

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 \$40,000 of qualifying and unbudgeted additional project costs and related fund transfers in fiscal 2010 were reflected in the Capital Projects Fund.

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.

2009 Equalized Assessed Value:	\$2,775,758,242
Debt Limit @ 6.9%	<u>191,527,319</u>
 General Obligation Debt	 <u>25,422,266</u>
Legal Debt Margin	<u>\$ 166,105,053</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. As a result of these reviews and the financial results achieved, each of the ratings were 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 \$72.4 million, net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements, and equipment. There were \$6,076 of capital asset retirements net of \$113,688 of accumulated depreciation and \$2,618,076 of capital asset additions recorded during the year. Depreciation charges of \$2,521,784 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

Financial Analysis of the District's Funds

The District's governmental funds have a combined fund balance as of June 30, 2010 of \$27,858,693. This is a decrease of \$41,394 from the June 30, 2009 fund balance of \$27,900,087. In fiscal 2009 there was an increase in all District funds of \$389,031. 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, 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 connection with the fiscal 2011 and fiscal 2012 budgets the District has instituted 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 will 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 2010 fiscal year.

The *Educational Fund* fund balance on June 30, 2010 was \$6,486,372. This fund showed a nominal increase of \$114,189 from the prior year. This approximate breakeven result for the year was accomplished after expanding capital project efforts, including investment in technology equipment focused on enhanced student learning. During the year capital project and equipment, primarily technology, spending including capital leases was approximately \$2.3 million. Through a variety of operating expenditure reductions, including administrative salary freezes and personnel adjustments, the District was also able to absorb the increased salary and benefit costs of the newly negotiated teachers' contract and other financial commitments for the year and to address, as further described above, facility and equipment needs no longer anticipated to be alternatively funded in the near term due to substantial changes in the economy.

The *Operations and Maintenance Fund* fund balance decreased \$387,424. The additional expenditures from fund balances accumulated in prior years were in accordance with a plan to use such funds for identified future capital projects that actually anticipated, net of \$142,000 of Working Cash Fund transfers, approximately \$152,800 more of fund balance use for facility project expenditures. In fiscal 2010 the majority of the projects were for facility infrastructure improvements such as roof, sewer, foundation and HVAC repairs.

The *Working Cash Fund* fund balance as of June 30, 2010 remained at approximately \$12 million. The actual increase for the year, after a planned transfer of current year investment earnings, \$141,935, to the Operations and Maintenance Fund was \$28,434. 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* increased by \$38,037 during fiscal 2010 due primarily to the lack of need for allocated spending on life safety projects during the year. Potential budgeted project costs of \$501,500 to be spent from fund balances accumulated in prior years did not materialize in fiscal 2010.

North Shore School District 112 Management's Discussion and Analysis

The accumulated fund balance of \$583,189 remaining as of June 30, 2010 is available for future life safety project needs that may arise, such as enhanced building security.

The *Capital Projects Fund* fiscal 2010 expenditures of \$718,087 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 exceeded those planned to be spent from previously accumulated funds for such purposes by approximately \$40,000 due to higher than anticipated costs of infrastructure replacements.

In the *Transportation Fund*, there was a decrease of fund balance during fiscal 2010 of \$99,164 primarily as a result of changed methodology and reduced transportation funding by the state. As of June 30, 2010 there remains an accumulated fund balance of \$741,150. 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 \$947,398 at June 30, 2010 compared to \$947,214 at June 30, 2009.

The *Debt Service Fund* (former *Bond and Interest Fund*) had a surplus for the year of \$157,439. The fund increased from \$1,921,610 to \$2,079,049. The surplus for this fund comes primarily from interest earnings and from revenue from an additional 2% 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. However, unlike many other entities and 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.

North Shore School District 112

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

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, 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 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 considered likely at this point. However, 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 the build out of 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 anticipated to be a risk given the effect of the economy on new construction and on the naval housing project.

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 believes the contract is competitive with those of surrounding districts. 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.

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.

North Shore School District 112 Management's Discussion and Analysis

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 Assistant Superintendent for Business and Operations, 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, 2010

ASSETS

Cash and investments	\$ 63,839,212
Receivables (net of allowance for uncollectibles):	
Interest	159,450
Property taxes	31,969,443
Replacement taxes	82,143
Accounts	104,776
Intergovernmental	2,549,258
Prepaid items	12,500
Other current assets	323,728
Deferred charges	231,241
Capital assets:	
Land	3,844,995
Depreciable buildings, property, and equipment, net	<u>68,566,345</u>
Total assets	<u>171,683,091</u>

LIABILITIES

Accounts payable	2,068,172
Salaries and wages payable	3,835,275
Compensated absences	46,087
Payroll deductions payable	877
Claims payable	1,022,611
Interest payable	47,511
Unearned revenue	60,245,642
Other long-term liabilities	188,000
Long-term liabilities:	
Due within one year	6,480,399
Due after one year	<u>18,428,281</u>
Total liabilities	<u>92,362,855</u>

NET ASSETS

Invested in capital assets, net of related debt	46,989,074
Restricted For:	
Debt service	2,262,779
Student transportation	758,970
Retirement benefits	947,398
Tort immunity	779,928
Capital projects	583,189
Unrestricted	<u>26,998,898</u>
Total net assets	<u>\$ 79,320,236</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, 2010

Functions / Programs	Expenses	PROGRAM REVENUES		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction:				
Regular programs	\$ 26,341,612	\$ 874,280	\$ 925,559	\$ (24,541,773)
Special programs	13,884,555	95,920	3,973,873	(9,814,762)
Other instructional programs	2,552,792	149,926	580,787	(1,822,079)
State retirement contributions	8,103,609	-	8,103,609	-
Support services:				
Pupils	3,806,825	-	9,768	(3,797,057)
Instructional staff	5,085,905	-	257,964	(4,827,941)
General administration	1,523,559	-	-	(1,523,559)
School administration	3,188,089	-	-	(3,188,089)
Business	2,212,965	135,407	355,763	(1,721,795)
Transportation	2,844,479	76,035	915,830	(1,852,614)
Operations and maintenance	6,063,593	146,219	-	(5,917,374)
Central	747,685	-	-	(747,685)
Community services	20,053	-	-	(20,053)
Nonprogrammed charges - excluding special education	203	-	-	(203)
Interest and fees	1,346,203	-	-	(1,346,203)
 Total governmental activities	 \$ 77,722,127	 \$ 1,477,787	 \$ 15,123,153	 (61,121,187)
 General revenues:				
Taxes:				
Real estate taxes, levied for general purposes				48,821,688
Real estate taxes, levied for specific purposes				8,587,128
Real estate taxes, levied for debt service				5,573,102
Personal property replacement taxes				548,718
State aid-formula grants				896,632
Grants and contributions not restricted to specific programs				1,064,421
Investment earnings				754,156
Miscellaneous				1,159,995
Total general revenues				67,405,840
 Change in net assets				6,284,653
 Net assets, beginning of year				73,035,583
 Net assets, end of year				\$ 79,320,236

The accompanying notes are an integral part of this statement.

North Shore School District 112

Governmental Funds

BALANCE SHEET

June 30, 2010

With Comparative Totals for June 30, 2009

	Educational	Operations and Maintenance	Tort Immunity and Judgment	Transportation	Municipal Retirement / Soc. Sec.
ASSETS					
Cash and investments	\$ 34,785,147	\$ 7,482,480	\$ 990,394	\$ 1,195,825	\$ 1,557,297
Receivables (net of allowance for uncollectibles):					
Interest	47,283	10,789	1,504	1,614	2,349
Property taxes	23,822,481	2,864,627	204,911	831,971	664,060
Replacement taxes	18,893	-	-	21,357	41,893
Accounts	72,942	31,834	-	-	-
Intergovernmental	1,876,136	107,951	-	565,171	-
Prepaid Items	12,500	-	-	-	-
Other current assets	-	-	-	-	258
Total assets	\$ 60,635,382	\$ 10,497,681	\$ 1,196,809	\$ 2,615,938	\$ 2,265,857
LIABILITIES AND FUND BALANCES					
Accounts payable	\$ 1,236,210	\$ 599,956	\$ 7,470	\$ 206,998	\$ -
Salaries and wages payable	3,835,275	-	-	-	-
Compensated absences	40,044	6,043	-	-	-
Payroll deductions payable	877	-	-	-	-
Claims payable	1,022,611	-	-	-	-
Deferred revenue	48,013,993	5,686,723	409,411	1,667,790	1,318,459
Total liabilities	54,149,010	6,292,722	416,881	1,874,788	1,318,459
Fund balances:					
Reserved for:					
Prepaid items	12,500	-	-	-	-
Unreserved fund balance:					
Designated for self-insurance	794,620	-	-	-	-
Undesignated	5,679,252	4,204,959	779,928	741,150	947,398
Total fund balance	6,486,372	4,204,959	779,928	741,150	947,398
Total liabilities and fund balance	\$ 60,635,382	\$ 10,497,681	\$ 1,196,809	\$ 2,615,938	\$ 2,265,857

The accompanying notes are an integral part of this statement.

Working Cash	Debt Service	Capital Projects	Fire Prevention and Safety	Total 2010	2009
\$ 11,976,751	\$ 4,599,108	\$ 16,737	\$ 1,235,473	\$ 63,839,212	\$ 62,967,277
87,163	6,633	-	2,115	159,450	554,521
27,933	2,890,032	-	663,428	31,969,443	31,664,126
-	-	-	-	82,143	105,850
-	-	-	-	104,776	54,477
-	-	-	-	2,549,258	4,295,225
-	-	-	-	12,500	382,016
-	323,470	-	-	323,728	201,805
<u>\$ 12,091,847</u>	<u>\$ 7,819,243</u>	<u>\$ 16,737</u>	<u>\$ 1,901,016</u>	<u>\$ 99,040,510</u>	<u>\$ 100,225,297</u>
\$ -	\$ 801	\$ 16,737	\$ -	\$ 2,068,172	\$ 2,175,190
-	-	-	-	3,835,275	3,456,924
-	-	-	-	46,087	-
-	-	-	-	877	46,326
-	-	-	-	1,022,611	898,185
55,199	5,739,393	-	1,317,827	64,208,795	65,748,585
<u>55,199</u>	<u>5,740,194</u>	<u>16,737</u>	<u>1,317,827</u>	<u>71,181,817</u>	<u>72,325,210</u>
-	-	-	-	12,500	382,016
-	-	-	-	794,620	1,051,970
12,036,648	2,079,049	-	583,189	27,051,573	26,466,101
<u>12,036,648</u>	<u>2,079,049</u>	<u>-</u>	<u>583,189</u>	<u>27,858,693</u>	<u>27,900,087</u>
<u>\$ 12,091,847</u>	<u>\$ 7,819,243</u>	<u>\$ 16,737</u>	<u>\$ 1,901,016</u>	<u>\$ 99,040,510</u>	<u>\$ 100,225,297</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, 2010

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

Total fund balances - governmental funds.	\$ 27,858,693
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.	72,411,340
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.	4,074,696
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.	(47,511)
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.	<u>(24,976,982)</u>
Net assets of governmental activities	<u>\$ 79,320,236</u>

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, 2010
With Comparative Actual Totals for the Year Ended June 30, 2009

	Educational	Operations and Maintenance	Tort Immunity and Judgment	Transportation	Municipal Retirement / Soc. Sec.
Revenues					
Property taxes	\$ 47,485,104	\$ 5,317,195	\$ 625,552	\$ 1,393,276	\$ 1,251,105
Replacement taxes	-	-	-	268,872	279,846
State aid	11,880,673	107,951	-	915,830	-
Federal aid	3,781,072	-	-	-	-
Interest	405,871	93,535	14,144	12,216	22,127
Other	1,808,045	333,499	14,985	134,476	39,951
Total revenues	65,360,765	5,852,180	654,681	2,724,670	1,593,029
Expenditures					
Current:					
Instruction:					
Regular programs	24,408,333	-	-	-	382,488
Special programs	8,280,213	-	-	-	306,298
Other instructional programs	3,015,276	-	-	-	98,232
State retirement contributions	8,103,609	-	-	-	-
Support services:					
Pupils	3,694,178	-	-	-	112,647
Instructional staff	4,613,417	-	-	-	161,818
General administration	947,590	-	547,770	-	25,644
School administration	3,044,635	-	-	-	141,749
Business	1,263,980	40,729	-	-	84,313
Transportation	-	-	-	2,823,834	20,645
Operations and maintenance	-	5,142,406	-	-	211,128
Central	677,525	-	-	-	47,680
Community services	20,053	-	-	-	-
Nonprogrammed charges	4,735,150	-	-	-	203
Debt service:					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Capital outlay	2,090,371	710,059	-	-	-
Total expenditures	64,894,330	5,893,194	547,770	2,823,834	1,592,845
Excess (deficiency) of revenues over expenditures	466,435	(41,014)	106,911	(99,164)	184
Other financing sources (uses)					
Transfers in	-	294,568	-	-	-
Transfers (out)	(990,738)	(640,978)	-	-	-
Capital lease proceeds	638,492	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	(352,246)	(346,410)	-	-	-
Net change in fund balance	114,189	(387,424)	106,911	(99,164)	184
Fund balance, beginning of year	6,372,183	4,592,383	673,017	840,314	947,214
Fund balance, end of year	\$ 6,486,372	\$ 4,204,959	\$ 779,928	\$ 741,150	\$ 947,398

The accompanying notes are an integral part of this statement.

Working Cash	Debt Service	Capital Projects	Fire Prevention and Safety	Total 2010	2009
\$ 28,434	\$ 5,573,102	\$ -	\$ 1,308,150	\$ 62,981,918	\$ 59,650,168
-	-	-	-	548,718	678,274
-	-	-	-	12,904,454	10,371,016
-	-	-	-	3,781,072	2,175,492
141,935	45,831	-	18,497	754,156	1,715,954
-	-	-	-	2,330,956	2,165,567
<u>170,369</u>	<u>5,618,933</u>	<u>-</u>	<u>1,326,647</u>	<u>83,301,274</u>	<u>76,756,471</u>
-	-	-	-	24,790,821	24,110,985
-	-	-	-	8,586,511	7,734,518
-	-	-	-	3,113,508	3,003,132
-	-	-	-	8,103,609	5,789,778
-	-	-	-	3,806,825	3,774,210
-	-	-	-	4,775,235	4,323,524
-	-	-	-	1,521,004	1,660,132
-	-	-	-	3,186,384	3,170,151
-	-	-	-	1,389,022	1,450,590
-	-	-	-	2,844,479	2,746,455
-	-	-	-	5,353,534	5,456,298
-	-	-	-	725,205	644,168
-	-	-	-	20,053	-
-	-	-	-	4,735,353	3,028,874
-	6,333,115	-	-	6,333,115	5,610,075
-	1,177,985	-	-	1,177,985	1,404,605
-	-	718,087	-	3,518,517	3,052,079
<u>-</u>	<u>7,511,100</u>	<u>718,087</u>	<u>-</u>	<u>83,981,160</u>	<u>76,959,574</u>
<u>170,369</u>	<u>(1,892,167)</u>	<u>(718,087)</u>	<u>1,326,647</u>	<u>(679,886)</u>	<u>(203,103)</u>
-	2,049,606	718,087	-	3,062,261	3,362,067
(141,935)	-	-	(1,288,610)	(3,062,261)	(3,362,067)
-	-	-	-	638,492	590,334
-	-	-	-	-	1,800
<u>(141,935)</u>	<u>2,049,606</u>	<u>718,087</u>	<u>(1,288,610)</u>	<u>638,492</u>	<u>592,134</u>
28,434	157,439	-	38,037	(41,394)	389,031
<u>12,008,214</u>	<u>1,921,610</u>	<u>-</u>	<u>545,152</u>	<u>27,900,087</u>	<u>27,511,056</u>
<u>\$ 12,036,648</u>	<u>\$ 2,079,049</u>	<u>\$ -</u>	<u>\$ 583,189</u>	<u>\$ 27,858,693</u>	<u>\$ 27,900,087</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, 2010

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

Net change in fund balances - total governmental funds	\$ (41,394)
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.	90,216
Certain revenues included in the statement of activities do not provide current financial resources and, therefore, are deferred in the fund statements.	705,506
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>5,530,325</u>
Change in net assets of governmental activities	\$ <u><u>6,284,653</u></u>

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, 2010

	Student Activity Fund
<hr/>	
ASSETS	
Cash and investments	\$ <u>232,201</u>
LIABILITIES	
Due to student groups	\$ <u>232,201</u>

The accompanying notes are an integral part of this statement.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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 accountability.

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 requirements.

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 funds), 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.

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 and local fees.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund includes the Educational Fund.

b. Special Revenue Funds

The Special Revenue Funds are used to account for 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.

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.

Tort Immunity and Judgment Fund - accounts for all revenues and expenditures related to liability insurance. Revenue consists primarily of local property taxes.

Transportation Fund - accounts for all revenues 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.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

b. Special Revenue Funds (Continued)

Working Cash Fund - accounts for financial resources held by the District to be used as temporary interfund loans for working capital requirements. Money loaned by the Working Cash Fund to other funds must be repaid within one year. As allowed by the School Code of Illinois, this Fund may be permanently abolished and become part of the General Fund or it may be partially abated to any fund in need as long as the District maintains a balance in the Working Cash Fund of at least .05% of the District's current equalized assessed valuation.

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 and transfers from other funds.

d. Capital Projects Funds

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities.

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.

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 fiduciary 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.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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, 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.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Depreciation of capital assets is provided over the estimated useful lives using the straight-line method. 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.

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.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Long-Term Obligations (Continued)

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 legislation.

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.

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 Statement 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	\$ (24,280,000)
Debt certificates	(160,000)
Capital leases	(982,266)
Compensated absences	(54,611)
Deferred charges and unamortized charges	<u>499,895</u>
Net adjustment to reduce fund-balance total governmental funds to arrive at net assets of governmental activities	<u><u>\$ (24,976,982)</u></u>

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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

2. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in 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	\$ 2,612,000
Depreciation expense	<u>(2,521,784)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets - governmental activities	 <u>\$ 90,216</u>

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	\$ 5,610,000
Debt certificates	30,000
Capital leases	693,115
Issuance of capital lease	(638,492)
Deferred charges and unamortized premium	(181,949)
Interest payable	13,731
Compensated absences	<u>3,920</u>
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets - governmental activities	 <u>\$ 5,530,325</u>

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE C - DEPOSITS AND INVESTMENTS

At June 30, 2010, the District's cash and investments consisted of the following:

	<u>Governmental</u>	<u>Fiduciary</u>	<u>Total</u>
Cash and investments	\$ <u>63,839,212</u>	\$ <u>232,201</u>	\$ <u>64,071,413</u>

For disclosure purposes, this amount is segregated into three 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	62,192,048
The Illinois Funds	397,362
Illinois School District Liquid Asset Fund Plus	<u>1,480,603</u>
	\$ <u>64,071,413</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.

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.

3. Cash and Investments in the Custody of the District

At June 30, 2010, the carrying value of the District's student activity funds was \$232,201, all of which was deposited with financial institutions.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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 Investment Officer 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, 2010, the bank balance of the District's deposits with financial institutions totaled \$63,412,220.

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 private insurance 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 15, 2009. 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 2009 tax levy was \$2,775,758,242.

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 2009 property tax levy is recognized as a receivable in fiscal 2009, net of estimated uncollectible amounts of approximately 1%. The District considers that the 2009 levy is to be used to finance operations in fiscal 2011. Therefore, the entire 2009 levy, including amounts collected in fiscal 2010, has been recognized as unearned revenue in the accompanying financial statements.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE E - RESERVED FUND BALANCES AND SPECIAL TAX LEVIES

Special Education Tax Levy

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, 2010 was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of the employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2009 and June 30, 2008.

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, 2010, the state of Illinois contributions were based on 23.38 percent of creditable earnings, and the District recognized revenue and expenditures of \$7,822,559 in pension contributions that the state of Illinois paid directly to TRS. For the years ended June 30, 2009 and June 30, 2008, the state of Illinois contribution rates as percentages of creditable earnings were 17.08%, or \$5,518,382, and 13.11%, or \$3,934,895, respectively.

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

2.2 Formula Contributions

The employer contributed .58 percent of creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2010 were \$194,058. Contributions for the years ended June 30, 2009 and June 30, 2008 were \$187,392 and \$174,084, respectively.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE F - RETIREMENT FUND COMMITMENTS (Continued)

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

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 additional employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective beginning in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2010, the employer pension contribution was 23.38 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2009 and 2008, the employer pension contribution was 17.08 and 13.11 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2010, salaries totaling \$212,468 were paid from federal and special trust funds that required employer contributions of \$49,675. For the years ended June 30, 2009 and June 30, 2008, required District contributions were \$39,468 and \$33,406, 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 and under which ERO program the member retires.

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

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

For the year ended June 30, 2010, the District paid \$118,437 to TRS for employer contributions under the "Pipeline ERO" and "Modified ERO" programs. For the years ended June 30, 2009 and June 30, 2008, the District paid \$0 and \$0, respectively, in employer ERO contributions.

Salary Increased Over 6 percent and Excess Sick Leave

Public Act 94-0004 added two additional employer contributions to TRS.

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

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

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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 (Continued)

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

For the year ended June 30, 2010, the District paid \$0 to TRS for sick leave days granted in excess of the normal annual allotment. For the years ended June 30, 2009 and June 30, 2008, the District paid \$0 and \$0 in employer contributions granted for sick leave days, respectively.

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer, and state funding requirements can be found in the TRS Comprehensive Annual Financial Report for the year ended June 30, 2010. The report for the year ended June 30, 2010 is expected to be available in late 2010.

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

THIS Fund Employer Contributions

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

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

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

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE F - RETIREMENT FUND COMMITMENTS (Continued)

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

THIS Fund Employer Contributions (Continued)

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 0.84 percent of pay during the year ended June 30, 2010. State of Illinois contributions were \$281,050 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, 2009 and 2008 were 0.84 percent of pay. State contributions on behalf of District employees were \$271,396 and \$252,121, respectively.

Employer Contributions to the THIS Fund

The District also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.63 percent during the years ended June 30, 2010, June 30, 2009, and June 30, 2008. For the year ended June 30, 2010, the District paid \$210,788 to the THIS Fund. For the years ended June 30, 2009 and June 30, 2008, the District paid \$203,547 and \$189,091, respectively, to the THIS Fund, which was 100 percent of the required contribution.

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

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.

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 employer contribution rate for calendar year 2009 was 9.02 percent of annual covered payroll. 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.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE F - RETIREMENT FUND COMMITMENTS (Continued)

2. Illinois Municipal Retirement Fund (Continued)

Annual Pension Cost

For the year ended December 31, 2009, the District's annual pension cost of \$533,703 for the regular plan was equal to the District's required and actual contributions.

Trend Information			
Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/09 \$	533,703	100%	\$ -
12/31/08	454,137	100%	-
12/31/07	451,086	100%	-

The required contribution for 2009 was determined as part of the December 31, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007 included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4 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 15 percent corridor between the actuarial and market value of assets. The District's regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007 was 25 years.

Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the regular plan was 69.06 percent funded. The actuarial accrued liability for benefits was \$11,742,041 and the actuarial value of assets was \$8,109,441, resulting in an (underfunded) (overfunded) actuarial accrued liability (UAAL) of \$3,632,600. The covered payroll (annual payroll of active employees covered by the plan) was \$5,916,883 and the ratio of the UAAL to the covered payroll was 61 percent. In conjunction with the December 2009 actuarial valuation, the market value of investments was determined using techniques that spread the effect of short-term volatility in the market value of investments over a five-year period, with a 20 percent corridor between the actuarial and market value of assets. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30-year basis.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE F - RETIREMENT FUND COMMITMENTS (Continued)

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.

NOTE G - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides the ability for retirees and their spouses to access the District's group health insurance plan during retirement, provided they are on the group health insurance plan at the time of retirement. Effective in 2008, only Illinois Municipal Retirement (IMRF) retirees may access the health insurance plan during retirement years. If a retiree elects to leave the health plan they may not return to the plan in a future year. Retirees are responsible to contribute a premium toward the cost of their insurance. Retirees may also access dental and life insurance benefits on a "direct pay" basis. For 2008, a total of 929 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. Retirees who are Medicare eligible may access a Medicare supplemental policy through the District. Currently, the District contributes 46 percent to the postemployment benefits. For fiscal year 2008, the District contributed \$1,852,041 toward the cost of the postemployment benefits for retirees. For fiscal year 2008, total retiree postemployment contributions were \$2,089,125.

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 shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE G - OTHER POST EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

	<u>June 30, 2008</u>
Annual required contribution	\$ 170,060
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	170,060
Contributions made	<u>(182,767)</u>
Increase in net OPEB obligation	(12,707)
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation (asset) end of year	<u>\$ (12,707)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 and the two preceding fiscal years were as follows:

<u>Actuarial Valuation Date</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/08	\$ 170,060	100%	\$ (12,707)
6/30/07	NA	NA	NA
6/30/06	NA	NA	NA

Funding Status and Funding Progress

As of June 30, 2008, the actuarial accrued liability for benefits was \$1,035,515, 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.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE G - OTHER POST EMPLOYMENT BENEFITS (Continued)

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.

The following simplifying assumptions were made:

Contribution rates:	
District	Not applicable
Plan members	0.00%
Actuarial valuation date	6/30/2008
Actuarial cost method	Entry age
Amortization period	Level closed
Remaining amortization period	30 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases	5.00%
Healthcare inflation rate	0.00% initial 6.00% ultimate
Mortality, Turnover, Disability, Retirement ages	Same rate utilized for IMRF
Percentage of active employees assumed to elect benefit	75%
Employer provided benefit	(Implicit) 20% of \$6,853/year to age 65 (Explicit) \$5,208/year age 65 for life

*Includes inflation at 3.00%

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE H - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets, not being depreciated				
Land	\$ 3,844,995	\$ -	\$ -	\$ 3,844,995
Total capital assets not being depreciated	<u>3,844,995</u>	<u>-</u>	<u>-</u>	<u>3,844,995</u>
Capital assets, being depreciated				
Land improvements	1,168,788	22,988	-	1,191,776
Buildings and building improvements	90,228,503	1,809,937	-	92,038,440
Furniture, equipment, and vehicles	<u>8,829,015</u>	<u>785,151</u>	<u>119,764</u>	<u>9,494,402</u>
Total capital assets being depreciated	<u>100,226,306</u>	<u>2,618,076</u>	<u>119,764</u>	<u>102,724,618</u>
Less accumulated depreciation for:				
Land improvements	834,811	35,758	-	870,569
Buildings and building improvements	25,609,373	1,593,165	-	27,202,538
Furniture, equipment, and vehicles	<u>5,305,993</u>	<u>892,861</u>	<u>113,688</u>	<u>6,085,166</u>
Total accumulated depreciation	<u>31,750,177</u>	<u>2,521,784</u>	<u>113,688</u>	<u>34,158,273</u>
Total capital assets being depreciated, net	<u>68,476,129</u>	<u>96,292</u>	<u>6,076</u>	<u>68,566,345</u>
Governmental activities capital assets, net	<u>\$ 72,321,124</u>	<u>\$ 96,292</u>	<u>\$ 6,076</u>	<u>\$ 72,411,340</u>

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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	\$	654,270
Special programs		2,178
Support Services		
Instructional staff		310,670
District administration		2,555
School administration		1,705
Business		4,302
Operations and maintenance		1,509,967
Transportation		6,502
Food		7,155
Central		22,480
	\$	<u>2,521,784</u>

NOTE I - LONG-TERM LIABILITIES

During the year ended June 30, 2010, the following is the long-term liability activity for the District:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due within one year
Bonds payable:					
General obligation bonds	\$ 29,890,000	\$ -	\$ 5,610,000	\$ 24,280,000	\$ 6,135,000
Debt certificates	190,000	-	30,000	160,000	30,000
Less deferred charges					
Deferred charge on refunding	(1,236,683)	-	(221,952)	(1,014,731)	-
Add unamortized premium	554,839	-	108,305	446,534	-
Compensated absences	58,531	237,986	241,906	54,611	-
Capital leases	<u>1,036,889</u>	<u>638,492</u>	<u>693,115</u>	<u>982,266</u>	<u>315,399</u>
Total long-term liabilities - governmental activities	<u>\$ 30,493,576</u>	<u>\$ 876,478</u>	<u>\$ 6,461,374</u>	<u>\$ 24,908,680</u>	<u>\$ 6,480,399</u>

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE I - LONG-TERM LIABILITIES (Continued)

1. General Obligation Bonds

The summary of activity in bonds payable for the year ended June 30, 2010 is as follows:

	<u>Bonds Payable</u> <u>July 1, 2009</u>	<u>Debt</u> <u>Issued</u>	<u>Debt</u> <u>Retired</u>	<u>Bonds Payable</u> <u>June 30, 2010</u>
\$7,150,000 Life Safety Bonds, dated December 1, 1998, due in June 2011, interest at 4.0% to 4.3%.	\$ 805,000	\$ -	\$ 705,000	\$ 100,000
\$20,900,000 Refunding Bonds, dated July 1, 2002, due in June 2014, interest at 2.0% to 5.75%.	12,460,000	-	1,695,000	10,765,000
\$8,835,000 Refunding Bonds, dated April 1, 2004, due in June 2012, interest at 2.0% to 3.0%.	7,360,000	-	3,030,000	4,330,000
\$9,865,000 Life and Safety Bonds, May 5, 2005, due in June 2018, interest at 3.0% to 4.0%.	<u>9,265,000</u>	<u>-</u>	<u>180,000</u>	<u>9,085,000</u>
Total	<u>\$ 29,890,000</u>	<u>\$ -</u>	<u>\$ 5,610,000</u>	<u>\$ 24,280,000</u>

At June 30, 2010, the District's future cash flow requirements for retirement of bond principal were as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 6,135,000	\$ 937,830	\$ 7,072,830
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
2016-2018	<u>3,735,000</u>	<u>288,000</u>	<u>4,023,000</u>
Total	<u>\$ 24,280,000</u>	<u>\$ 2,978,293</u>	<u>\$ 27,258,293</u>

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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 \$2,079,049 in the Debt Service Fund to service the outstanding bonds payable. As of June 30, 2010, 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, 2010, the statutory debt limit for the District was \$191,527,319 of which \$166,105,053 is fully available.

2. Debt Certificates

The summary of activity in debt certificates for the year ended June 30, 2010 is as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Debt</u> <u>Issued</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>June 30, 2010</u>
\$300,000 General Obligation Limited Tax Debt Certificates, dated November 1, 2004, due in June 2016, interest at 3.25%.	\$ 190,000	\$ -	\$ 30,000	\$ 160,000

At June 30, 2010, 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>
2011	\$ 30,000	\$ 5,200	\$ 35,200
2012	30,000	4,226	34,226
2013	30,000	3,250	33,250
2014	35,000	2,275	37,275
2015	35,000	1,138	36,138
	<u>\$ 160,000</u>	<u>\$ 16,089</u>	<u>\$ 176,089</u>

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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. 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, 2010, 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
2011	\$ 315,399	\$ 30,493	\$ 345,892
2012	241,273	24,271	265,544
2013	237,036	14,902	251,938
2014	188,558	5,920	194,478
Total	\$ <u>982,266</u>	\$ <u>75,586</u>	\$ <u>1,057,852</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 Educational Fund.

NOTE J - 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.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE K - 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, and expenditures are incurred when claims are paid. Total claims paid during the year ended June 30, 2010 were \$4,725,464 and \$379,532, 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, 2010, liabilities of \$990,569 for health and \$32,042 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	
	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>
Unpaid claims, beginning of fiscal year	\$ 762,921	\$ 826,307	\$ 96,681	\$ 69,878
Incurred claims (including IBNRs)	4,725,464	4,617,118	314,061	379,532
Claim payments	<u>(4,662,078)</u>	<u>(4,452,856)</u>	<u>(340,864)</u>	<u>(417,368)</u>
Unpaid claims, end of fiscal year	<u>\$ 826,307</u>	<u>\$ 990,569</u>	<u>\$ 69,878</u>	<u>\$ 32,042</u>

NOTE L - INTERFUND TRANSFERS

The District transferred \$36,175 from the Operations and Maintenance Fund to the Debt Service Fund. The amount transferred represents principal and interest payments on debt certificate.

The District transferred \$1,288,610 from the Fire Prevention and Safety Fund to the Debt Service Fund. The amount transferred represents transfer of excess Fire Prevention and Safety tax and interest proceeds to Operations and Maintenance Fund.

The District transferred \$141,935 from the Working Cash Fund to the Operations and Maintenance Fund. The amount transferred represents interest earned on investments.

The District transferred \$724,822 from the Educational Fund to the Debt Service Fund. The amount transferred represents principal and interest payments on capital leases.

The District transferred \$113,284 from the Educational Fund and \$604,803 from the Operations and Maintenance Fund to the Capital Projects Fund. The amount transferred represents payments for capital projects.

The District transferred \$152,633 from the Educational Fund to the Operations and Maintenance Fund. The amount transferred represents payments for certain expenditures.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE M - JOINT AGREEMENTS

The District is a member of the North Suburban Special Education District (NSSSED), 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.

NOTE N - CONTINGENCIES

1. Litigation

The District is not involved in any significant litigation that would materially affect the balances reported at June 30, 2010. 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 immaterial.

NOTE O - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 29, 2010, 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, 2010

Actuarial	(1)	(2)	(3)	(4)	(5)	(6)
Valuation	Actuarial	Actuarial	Funded	Unfunded	Covered	UAAL as a
Date	Value of	Liability	Ratio	AAL	Payroll	Percentage
	Assets	(AAL)	(1) / (2)	(UAAL)		of Covered
				(2) - (1)		Payroll
						<u>[(2)-(1)]/(5)</u>
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
12/31/07	9,456,874	9,999,847	94.57	542,973	5,220,906	10.40

On a market value basis, the actuarial value of assets as of December 31, 2009 is \$7,712,401. On a market basis, the funded ratio would be 65.68%

North Shore School District 112
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
June 30, 2010

Actuarial	(1)	(2)	(3)	(4)	(5)	(6)	
Valuation	Actuarial	Actuarial	Funded	Unfunded	Covered	UAAL as a	
Date	Value of	Liability (AAL)	Ratio	AAL	Payroll	Percentage	
	Assets (1)	-Entry Age (2)	(1) / (2)	(UAAL)		of Covered	
				(2) - (1)		Payroll	
						<u>[(2)-(1)]/(5)</u>	
06/30/08	\$ -	\$ 1,035,515	0.00 %	\$ 1,035,515	\$ N/A	N/A	%
06/30/07	-	N/A	0.00	N/A	N/A	N/A	
06/30/06	N/A	N/A	N/A	N/A	N/A	N/A	

N/A - not available

North Shore School District 112
General (Educational) Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			
	Original and Final Budget	Actual	Variance From Final Budget	2009 Actual
Revenues				
Local sources				
General levy	\$46,531,659	\$46,944,854	\$ 413,195	\$44,041,798
Special education levy	535,972	540,250	4,278	573,035
Corporate personal property replacement taxes	143,225	-	(143,225)	-
Regular tuition from pupils or parents	20,000	13,132	(6,868)	-
Regular tuition from other Districts	-	-	-	27,763
Summer school tuition from pupils or parents	62,184	35,291	(26,893)	49,322
Special Ed tuition from other Districts	79,000	-	(79,000)	-
Interest on investments	397,843	405,871	8,028	863,081
Sales to pupils - lunch	61,248	104,487	43,239	106,640
Sales to pupils - other	120,000	-	(120,000)	-
Other food service	-	30,920	30,920	44,335
Contributions and donations from private sources	70,500	67,112	(3,388)	65,082
Refund of prior years' expenditures	5,000	86,083	81,083	11,811
Proceeds from vendors' contracts	25,500	-	(25,500)	-
Payment from other Districts	-	114,635	114,635	75,984
Local fees	652,500	650,242	(2,258)	676,520
Other	707,500	706,143	(1,357)	718,037
Total local sources	49,412,131	49,699,020	286,889	47,253,408
State sources				
General State Aid	808,815	896,632	87,817	780,972
Special Education - Private Facility Tuition	150,000	232,839	82,839	150,592
Special Education - Extraordinary	542,000	577,035	35,035	542,496
Special Education - Personnel	1,044,000	1,120,651	76,651	1,044,595
Special Education - Orphanage - Individual	30,289	15,999	(14,290)	25,281
Special Education - Orphanage - Summer Individual	2,435	-	(2,435)	2,435
Special Education - Summer School	5,600	4,771	(829)	5,609
Bilingual Education - Downstate - T.P.I. and T.P.E.	191,200	288,952	97,752	254,706
State Free Lunch and Breakfast	16,200	13,173	(3,027)	16,564
School Breakfast Initiative	600	-	(600)	1,883
(Continued)				

(Continued)

North Shore School District 112
General (Educational) Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			
	Original and Final Budget	Actual	Variance From Final Budget	2009 Actual
Early Childhood - Block Grant	\$ 384,230	\$ 418,806	\$ 34,576	\$ 465,340
Reading Improvement Block Grant	169,823	152,860	(16,963)	161,787
School Safety and Educational Block Grant (Flat Grant)	154,000	37,742	(116,258)	143,029
Other state sources	174,000	17,604	(156,396)	90,585
On Behalf Payments to TRS from the State	<u>4,205,000</u>	<u>8,103,609</u>	<u>3,898,609</u>	<u>5,789,778</u>
Total state sources	<u>7,878,192</u>	<u>11,880,673</u>	<u>4,002,481</u>	<u>9,475,652</u>
Federal sources				
Federal Impact Aid	608,000	569,821	(38,179)	20,435
Other Federal Grants-in-Aid	29,000	95,920	66,920	119,207
Title V - Innovation and Flexibility Formula	-	-	-	436
National School Lunch Program	148,400	185,177	36,777	175,753
Special Milk Program	34,800	29,098	(5,702)	33,419
Special Breakfast Program	60,400	63,527	3,127	61,128
Food Service - Other	28,214	27,046	(1,168)	24,036
Title I - Low Income	353,345	303,765	(49,580)	247,016
Safe and Drug Free Schools - Formula (Title IV)	9,600	9,768	168	10,125
Fed. - Sp. Ed. - I.D.E.A. - Flow Through	525,000	547,058	22,058	531,791
Fed. - Sp. Ed. - I.D.E.A. - Room and Board	180,000	351,818	171,818	305,111
ARRA General State Aid - Education Stabilization	230,879	149,988	(80,891)	230,879
ARRA Title I - Low Income	79,288	158,576	79,288	-
ARRA IDEA - Part B - Preschool	10,500	6,073	(4,427)	-
ARRA IDEA - Part B - Flow-Through	908,000	886,352	(21,648)	-
ARRA Title IID - Technology - Formula	3,100	-	(3,100)	-
ARRA General State Aid - Other Govt Svcs Stab.	-	49,996	49,996	-
Title III - English Language Acquisition	99,528	119,600	20,072	116,338
Learn and Serve America	12,000	19,375	7,375	12,000
Title II - Teacher Quality	127,801	132,409	4,608	127,081
Medicaid Matching Funds - Administrative Outreach	48,000	46,024	(1,976)	100,983
Medicaid Matching Funds - Fee-For-Service-Program	34,000	26,677	(7,323)	57,457
Other federal sources	<u>12,000</u>	<u>3,004</u>	<u>(8,996)</u>	<u>2,297</u>
Total federal sources	<u>3,541,855</u>	<u>3,781,072</u>	<u>239,217</u>	<u>2,175,492</u>
Total revenues	<u>60,832,178</u>	<u>65,360,765</u>	<u>4,528,587</u>	<u>58,904,552</u>

(Continued)

North Shore School District 112
General (Educational) Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			
	Original and Final Budget	Actual	Variance From Final Budget	2009 Actual
Expenditures				
Instruction				
Regular programs				
Salaries	\$21,068,172	\$20,378,622	\$ 689,550	\$20,074,387
Employee benefits	2,892,691	2,916,346	(23,655)	2,501,526
On-behalf payments to TRS from the state	4,205,000	8,103,609	(3,898,609)	5,789,778
Purchased services	568,840	450,451	118,389	570,359
Supplies and materials	716,555	662,914	53,641	614,722
Capital outlay	679,116	1,182,134	(503,018)	595,613
Total	30,130,374	33,694,076	(3,563,702)	30,146,385
Special education programs				
Salaries	4,760,240	5,217,680	(457,440)	4,691,451
Employee benefits	1,030,948	1,087,347	(56,399)	985,857
Purchased services	137,931	131,512	6,419	117,914
Supplies and materials	9,696	10,724	(1,028)	163,904
Capital outlay	46,360	29,890	16,470	47,566
Total	5,985,175	6,477,153	(491,978)	6,006,692
Special education programs pre-K				
Salaries	454,473	463,131	(8,658)	409,055
Employee benefits	68,814	65,740	3,074	84,661
Purchased services	818	754	64	1,254
Supplies and materials	13,393	11,182	2,211	7,651
Capital outlay	1,368	7,184	(5,816)	3,706
Total	538,866	547,991	(9,125)	506,327
Remedial and Supplemental programs K-12				
Salaries	758,507	736,582	21,925	676,351
Employee benefits	161,831	131,238	30,593	101,506
Total	920,338	867,820	52,518	777,857

(Continued)

North Shore School District 112
General (Educational) Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			
	Original and Final Budget	Actual	Variance From Final Budget	2009 Actual
Remedial and Support programs pre-K				
Salaries	\$ 399,983	\$ 450,223	\$ (50,240)	\$ 411,305
Employee benefits	104,002	98,870	5,132	72,028
Purchased services	44,318	2,039	42,279	3,284
Supplies and materials	25,824	9,351	16,473	29,267
Capital outlay	21,271	6,507	14,764	38,507
Total	<u>595,398</u>	<u>566,990</u>	<u>28,408</u>	<u>554,391</u>
Summer school programs				
Salaries	133,528	106,437	27,091	123,671
Employee benefits	7,728	3,884	3,844	1,612
Purchased services	7,000	-	7,000	-
Supplies and materials	20,270	2,188	18,082	6,310
Total	<u>168,526</u>	<u>112,509</u>	<u>56,017</u>	<u>131,593</u>
Gifted programs				
Salaries	691,396	631,335	60,061	586,677
Employee benefits	92,081	87,732	4,349	80,842
Total	<u>783,477</u>	<u>719,067</u>	<u>64,410</u>	<u>667,519</u>
Bilingual programs				
Salaries	1,067,533	957,831	109,702	931,467
Employee benefits	103,796	124,579	(20,783)	166,638
Supplies and materials	-	-	-	2,051
Total	<u>1,171,329</u>	<u>1,082,410</u>	<u>88,919</u>	<u>1,100,156</u>
Spec. Ed. Programs K-12 - private tuition				
Other objects	<u>780,206</u>	<u>965,130</u>	<u>(184,924)</u>	<u>755,180</u>
Total instruction	<u>41,073,689</u>	<u>45,033,146</u>	<u>(3,959,457)</u>	<u>40,646,100</u>

(Continued)

North Shore School District 112
General (Educational) Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance From Final Budget	2009 Actual
	Original and Final Budget	Actual		
Support services				
Pupils				
Guidance services				
Salaries	\$ 998,009	\$ 1,145,177	\$ (147,168)	\$ 1,161,328
Employee benefits	149,732	143,918	5,814	144,872
Purchased services	5,000	19,849	(14,849)	1,585
Supplies and materials	-	69	(69)	-
Total	<u>1,152,741</u>	<u>1,309,013</u>	<u>(156,272)</u>	<u>1,307,785</u>
Health services				
Salaries	444,446	456,106	(11,660)	392,769
Employee benefits	97,917	92,457	5,460	82,101
Purchased services	10,000	5,123	4,877	12,322
Supplies and materials	5,000	8,441	(3,441)	5,141
Capital outlay	-	3,660	(3,660)	1,326
Total	<u>557,363</u>	<u>565,787</u>	<u>(8,424)</u>	<u>493,659</u>
Psychological services				
Salaries	573,565	590,911	(17,346)	513,564
Employee benefits	77,490	74,552	2,938	68,384
Purchased services	13,500	29,502	(16,002)	17,806
Supplies and materials	<u>1,500</u>	<u>5,051</u>	<u>(3,551)</u>	<u>205</u>
Total	<u>666,055</u>	<u>700,016</u>	<u>(33,961)</u>	<u>599,959</u>

(Continued)

North Shore School District 112
General (Educational) Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Speech pathology and audiology services				
Salaries	\$ 772,953	\$ 987,416	\$ (214,463)	\$ 847,851
Employee benefits	115,374	111,530	3,844	114,677
Purchased services	185,007	22,334	162,673	315,765
Supplies and materials	<u>2,600</u>	<u>1,742</u>	<u>858</u>	<u>2,851</u>
Total	<u>1,075,934</u>	<u>1,123,022</u>	<u>(47,088)</u>	<u>1,281,144</u>
Total pupils	<u>3,452,093</u>	<u>3,697,838</u>	<u>(245,745)</u>	<u>3,682,547</u>
Instructional staff				
Improvement of instruction services				
Salaries	1,267,897	1,065,359	202,538	720,262
Employee benefits	229,733	269,112	(39,379)	225,602
Purchased services	319,652	283,116	36,536	166,236
Supplies and materials	806,614	926,925	(120,311)	481,749
Capital outlay	7,500	561,124	(553,624)	610,546
Other objects	<u>1,800</u>	<u>-</u>	<u>1,800</u>	<u>-</u>
Total	<u>2,633,196</u>	<u>3,105,636</u>	<u>(472,440)</u>	<u>2,204,395</u>
Educational media services				
Salaries	1,337,505	1,306,530	30,975	1,648,242
Employee benefits	345,330	323,433	21,897	321,242
Purchased services	568,485	427,607	140,878	589,937
Supplies and materials	12,100	11,335	765	12,829
Capital outlay	<u>338,750</u>	<u>270,372</u>	<u>68,378</u>	<u>650,784</u>
Total	<u>2,602,170</u>	<u>2,339,277</u>	<u>262,893</u>	<u>3,223,034</u>
Total instructional staff	<u>5,235,366</u>	<u>5,444,913</u>	<u>(209,547)</u>	<u>5,427,429</u>

(Continued)

North Shore School District 112
General (Educational) Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			
	Original and Final Budget	Actual	Variance From Final Budget	2009 Actual
General administration				
Board of education services				
Salaries	\$ 42,753	\$ 44,383	\$ (1,630)	\$ 41,070
Employee benefits	157,602	150,139	7,463	4,470
Purchased services	316,316	333,876	(17,560)	431,604
Supplies and materials	6,875	11,683	(4,808)	12,326
Capital outlay	-	15,962	(15,962)	-
Other objects	13,786	-	13,786	14,397
Total	537,332	556,043	(18,711)	503,867
Executive administration services				
Salaries	242,754	248,553	(5,799)	337,524
Employee benefits	85,150	130,545	(45,395)	78,181
Purchased services	35,970	22,769	13,201	14,225
Supplies and materials	2,900	1,796	1,104	2,142
Capital outlay	1,100	4,008	(2,908)	203
Other objects	2,650	3,846	(1,196)	545
Termination benefits	-	-	-	21,839
Total	370,524	411,517	(40,993)	454,659
Total general administration	907,856	967,560	(59,704)	958,526
Office of the principal services				
Salaries	2,399,311	2,304,749	94,562	2,384,578
Employee benefits	693,853	723,212	(29,359)	635,423
Purchased services	36,800	16,674	20,126	28,005
Total	3,129,964	3,044,635	85,329	3,048,006
Total school administration	3,129,964	3,044,635	85,329	3,048,006

(Continued)

North Shore School District 112
General (Educational) Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			
	Original and Final Budget	Actual	Variance From Final Budget	2009 Actual
Business				
Direction of business support services				
Salaries	\$ 189,968	\$ 198,426	\$ (8,458)	\$ 159,581
Employee benefits	42,062	53,945	(11,883)	40,594
Purchased services	9,625	7,097	2,528	8,128
Supplies and materials	500	749	(249)	799
Capital outlay	-	3,715	(3,715)	-
Other objects	3,395	-	3,395	4,301
Total	245,550	263,932	(18,382)	213,403
Fiscal services				
Salaries	340,685	361,179	(20,494)	310,544
Employee benefits	66,074	63,586	2,488	43,854
Purchased services	96,111	97,714	(1,603)	87,351
Supplies and materials	9,250	11,386	(2,136)	10,151
Capital outlay	7,000	5,123	1,877	5,714
Other objects	490	495	(5)	248
Total	519,610	539,483	(19,873)	457,862
Food services				
Salaries	9,573	9,984	(411)	9,183
Employee benefits	2,025	1,915	110	1,597
Purchased services	476,583	446,130	30,453	465,237
Supplies and materials	1,250	3,874	(2,624)	2,878
Capital outlay	-	-	-	4,517
Total	489,431	461,903	27,528	483,412
Internal services				
Salaries	7,396	45	7,351	-
Employee benefits	-	1	(1)	-
Purchased services	-	3,015	(3,015)	4,934
Supplies and materials	6,000	4,439	1,561	4,990
Total	13,396	7,500	5,896	9,924
Total business	1,267,987	1,272,818	(4,831)	1,164,601
(Continued)				

(Continued)

North Shore School District 112
General (Educational) Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010				2009 Actual
	Original and Final Budget	Actual	Variance From Final Budget		
Central					
Direction of central support services					
Employee benefits	\$ 209,237	\$ 110,949	\$ 98,288		\$ 106,843
Total	<u>209,237</u>	<u>110,949</u>	<u>98,288</u>		<u>106,843</u>
Staff services					
Salaries	400,179	395,493	4,686		350,804
Employee benefits	83,664	86,465	(2,801)		75,279
Purchased services	86,581	73,861	12,720		62,669
Supplies and materials	10,000	8,819	1,181		10,289
Capital outlay	1,500	692	808		3,713
Other objects	<u>1,785</u>	<u>1,938</u>	<u>(153)</u>		<u>2,133</u>
Total	<u>583,709</u>	<u>567,268</u>	<u>16,441</u>		<u>504,887</u>
Total central	<u>792,946</u>	<u>678,217</u>	<u>114,729</u>		<u>611,730</u>
Total support services	<u>14,786,212</u>	<u>15,105,981</u>	<u>(319,769)</u>		<u>14,892,839</u>
Community services					
Salaries	-	10,875	(10,875)		-
Employee benefits	-	155	(155)		-
Purchased services	-	6,245	(6,245)		-
Supplies and materials	<u>-</u>	<u>2,778</u>	<u>(2,778)</u>		<u>-</u>
Total	<u>-</u>	<u>20,053</u>	<u>(20,053)</u>		<u>-</u>
Payments to Other Districts and Gov't Units					
Payments for special education programs					
Purchased services	2,833,814	2,816,128	17,686		1,424,601
Other objects	<u>-</u>	<u>-</u>	<u>-</u>		<u>3,264</u>
Total	<u>2,833,814</u>	<u>2,816,128</u>	<u>17,686</u>		<u>1,427,865</u>

(Continued)

North Shore School District 112
General (Educational) Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			
	Original and Final Budget	Actual	Variance From Final Budget	2009 Actual
Payments for Spec. Ed. programs - tuition				
Other objects	\$ 1,875,931	\$ 1,919,022	\$ (43,091)	\$ 1,601,009
 Total payments to other districts and other Gov'ts	<u>4,709,745</u>	<u>4,735,150</u>	<u>(25,405)</u>	<u>3,028,874</u>
 Total expenditures	<u>60,569,646</u>	<u>64,894,330</u>	<u>(4,324,684)</u>	<u>58,567,813</u>
 Excess of revenues over expenditures	<u>262,532</u>	<u>466,435</u>	<u>203,903</u>	<u>336,739</u>
 Other financing sources (uses)				
Transfer of Working Cash Fund Interest	240,132	-	(240,132)	-
Capital Lease Proceeds	-	638,492	638,492	590,334
Trans to Debt Svc Fund for Prin on Cap Leases	(692,207)	(693,116)	(909)	(495,075)
Trans to Debt Svc Fund for Int on Cap Leases	(38,548)	(31,705)	6,843	(35,268)
Transfer to Capital Projects Fund	(108,000)	(113,284)	(5,284)	-
Other uses not classified elsewhere	<u>-</u>	<u>(152,633)</u>	<u>(152,633)</u>	<u>(631,766)</u>
 Total other financing sources (uses)	<u>(598,623)</u>	<u>(352,246)</u>	<u>246,377</u>	<u>(571,775)</u>
 Net change to fund balance	<u>\$ (336,091)</u>	114,189	<u>\$ 450,280</u>	(235,036)
 Fund balance, beginning of year		<u>6,372,183</u>		<u>6,607,219</u>
 Fund balance, end of year		<u>\$ 6,486,372</u>		<u>\$ 6,372,183</u>

(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, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			
	Original and Final Budget	Actual	Variance From Final Budget	2009 Actual
Revenues				
Local sources				
General levy	\$ 5,306,895	\$ 5,317,195	\$ 10,300	\$ 5,075,449
Corporate personal property replacement taxes	-	-	-	150,000
Interest on investments	65,089	93,535	28,446	186,915
Rentals	126,700	146,219	19,519	158,149
Impact fees from municipal or county gov'ts	50,000	17,700	(32,300)	60,500
Refund of prior years' expenditures	-	4,220	4,220	3,077
Other	-	165,360	165,360	64,495
Total local sources	5,548,684	5,744,229	195,545	5,698,585
Federal sources				
Other Fed. Grants-in-aid	100,000	107,951	7,951	-
Total federal sources	100,000	107,951	7,951	-
Total revenue	5,648,684	5,852,180	203,496	5,698,585
Expenditures				
Support services				
Business				
Direction of business support services				
Salaries	31,783	36,156	(4,373)	62,315
Employee benefits	4,020	4,573	(553)	7,180
Total	35,803	40,729	(4,926)	69,495
(Continued)				

(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, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance From Final Budget	2009 Actual
	Original and Final Budget	Actual		
Operation and maintenance of plant services				
Salaries	\$ 1,114,287	\$ 1,127,994	\$ (13,707)	\$ 1,021,217
Employee benefits	167,173	174,371	(7,198)	205,639
Purchased services	2,424,772	2,678,844	(254,072)	2,731,102
Supplies and materials	1,370,100	1,160,657	209,443	1,313,238
Capital outlay	470,100	710,059	(239,959)	552,952
Other objects	-	540	(540)	-
Total	<u>5,546,432</u>	<u>5,852,465</u>	<u>(306,033)</u>	<u>5,824,148</u>
Total business	<u>5,582,235</u>	<u>5,893,194</u>	<u>(310,959)</u>	<u>5,893,643</u>
Total support services	<u>5,582,235</u>	<u>5,893,194</u>	<u>(310,959)</u>	<u>5,893,643</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>5,582,435</u>	<u>5,893,194</u>	<u>(310,759)</u>	<u>5,893,643</u>
Excess (deficiency) of revenues over expenditures	<u>66,249</u>	<u>(41,014)</u>	<u>(107,263)</u>	<u>(195,058)</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, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010				2009 Actual
	Original and Final Budget	Actual	Variance From Final Budget		
Other financing sources (uses)					
Permanent transfer from working					
Cash fund - interest	\$ -	\$ 141,935	\$ 141,935		\$ 408,348
Sale or compensation for fixed assets	-	-	-		1,800
Other sources not classified elsewhere	-	152,633	152,633		-
Transfer to capital projects fund	(570,300)	(604,803)	(34,503)		(545,734)
Other uses not classified elsewhere	<u>(36,175)</u>	<u>(36,175)</u>	<u>-</u>		<u>-</u>
Total other financing sources (uses)	<u>(606,475)</u>	<u>(346,410)</u>	<u>260,065</u>		<u>(135,586)</u>
Net change in fund balance	<u>\$ (540,226)</u>	<u>(387,424)</u>	<u>\$ 152,802</u>		<u>(330,644)</u>
Fund balance, beginning of year		<u>4,592,383</u>			<u>4,923,027</u>
Fund balance, end of year		<u>\$ 4,204,959</u>			<u>\$ 4,592,383</u>

(Concluded)

North Shore School District 112
Tort Immunity and Judgement Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			
	Original and Final Budget	Actual	Variance From Final Budget	2009 Actual
Revenues				
Local sources				
General levy	\$ 620,027	\$ 625,552	\$ 5,525	\$ 682,184
Interest on investments	9,867	14,144	4,277	39,165
Refund of prior years' expenditures	-	14,985	14,985	780
Total local sources	629,894	654,681	24,787	722,129
Total revenue	629,894	654,681	24,787	722,129
Expenditures				
Support Services - General Administration				
Workers' Comp. or Workers' Occ Dis Pmts				
Purchased services	-	179,856	(179,856)	289,245
Total	-	179,856	(179,856)	289,245
Unemployment insurance payments				
Purchased services	-	23,634	(23,634)	1,119
Total	-	23,634	(23,634)	1,119
Insurance payments (reg of self insured)				
Purchased services	513,458	205,624	307,834	-
Total	513,458	205,624	307,834	-
Risk Mgmt. & claims services payments				
Purchased services	10,000	-	10,000	317,603
Total	10,000	-	10,000	317,603

(Continued)

North Shore School District 112
Tort Immunity and Judgement Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009
	Original and Final Budget	Actual	Variance From Final Budget	Actual
Judgements and settlements				
Purchased services	\$ -	\$ 69,456	\$ (69,456)	\$ -
Total	-	69,456	(69,456)	-
Education, inspectional, supervisory Svcs. related to loss prevention or reduction				
Purchased services	70,000	69,200	800	-
Total	70,000	69,200	800	-
Legal services				
Purchased services	-	-	-	72,911
Total	-	-	-	72,911
Total support services	593,458	547,770	45,688	680,878
Total expenditures	593,458	547,770	45,688	680,878
Excess of revenues over expenditures	36,436	106,911	70,475	41,251
Other financing sources				
Other sources not classified elsewhere	-	-	-	631,766
Total other financing sources	-	-	-	631,766
Net change in fund balance	\$ 36,436	106,911	\$ 70,475	673,017
Fund balance, beginning of year		673,017		-
Fund balance, end of year		\$ 779,928		\$ 673,017

(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, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			
	Original and Final Budget	Actual	Variance From Final Budget	2009 Actual
Revenues				
Local sources				
General levy	\$ 1,381,463	\$ 1,393,276	\$ 11,813	\$ 1,528,092
Corporate personal property replacement taxes	159,600	268,872	109,272	142,735
Regular transportation fees from pupils or parents	86,580	75,505	(11,075)	86,512
Regular transportation fees from other sources - in state	-	530	530	-
Regular transportation fees cocurricular activities	20,000	-	(20,000)	16,560
Interest on investments	13,739	12,216	(1,523)	41,628
Services provided other Districts	100,000	-	(100,000)	-
Other	<u>57,700</u>	<u>58,441</u>	<u>741</u>	<u>-</u>
Total local sources	<u>1,819,082</u>	<u>1,808,840</u>	<u>(10,242)</u>	<u>1,815,527</u>
State sources				
Transportation - Regular/Vocational	384,600	258,436	(126,164)	304,759
Transportation - Special Education	<u>652,420</u>	<u>657,394</u>	<u>4,974</u>	<u>590,605</u>
Total state sources	<u>1,037,020</u>	<u>915,830</u>	<u>(121,190)</u>	<u>895,364</u>
Total revenues	2,856,102	2,724,670	(131,432)	2,710,891

(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, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010				2009
	Original and Final Budget	Actual	Variance From Final Budget		2009 Actual
Expenditures					
Support services					
Business					
Pupil transportation services					
Salaries	\$ 116,222	\$ 116,561	\$ (339)	\$	108,746
Employee benefits	30,295	41,599	(11,304)		36,462
Purchased services	2,670,269	2,663,427	6,842		2,574,334
Supplies and materials	5,000	2,247	2,753		4,577
Capital outlay	10,000	-	10,000		6,175
Total support services	<u>2,831,786</u>	<u>2,823,834</u>	<u>7,952</u>		<u>2,730,294</u>
Total expenditures	<u>2,831,786</u>	<u>2,823,834</u>	<u>7,952</u>		<u>2,730,294</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 24,316</u>	(99,164)	<u>\$ (123,480)</u>		(19,403)
Fund balance, beginning of year		<u>840,314</u>			<u>859,717</u>
Fund balance, end of year		<u>\$ 741,150</u>			<u>\$ 840,314</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, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010				
	Original and Final Budget	Actual	Variance From Final Budget		2009 Actual
Revenues					
Local sources					
General levy	\$ 620,027	\$ 625,644	\$ 5,617	\$	491,218
Social security/medicare only levy	620,027	625,461	5,434		491,126
Corporate personal property replacement taxes	313,581	279,846	(33,735)		385,539
Interest on investments	17,999	22,127	4,128		46,509
Other	-	39,951	39,951		-
Total local sources	<u>1,571,634</u>	<u>1,593,029</u>	<u>21,395</u>		<u>1,414,392</u>
Total revenues	<u>1,571,634</u>	<u>1,593,029</u>	<u>21,395</u>		<u>1,414,392</u>
Expenditures					
Instruction					
Regular programs	405,625	382,488	23,137		349,991
Special education programs	270,436	295,771	(25,335)		232,791
Special education programs pre-K	23,314	19,909	3,405		17,715
Remedial and supplemental programs K-12	10,770	10,527	243		9,564
Remedial and supplemental programs pre-K	32,417	28,564	3,853		23,114
Summer school programs	5,600	5,106	494		5,460
Gifted programs	8,642	9,081	(439)		7,992
Bilingual programs	37,892	35,572	2,320		30,806
Truant's alternative and optional programs	-	-	-		272
Total instruction	<u>794,696</u>	<u>787,018</u>	<u>7,678</u>		<u>677,705</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, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010				2009 Actual
	Original and Final Budget	Actual	Variance From Final Budget		
Support services					
Pupils					
Guidance services	\$ 14,832	\$ 16,568	\$ (1,736)	\$	16,772
Health services	80,697	73,019	7,678		58,615
Psychological services	6,855	8,562	(1,707)		7,447
Speech pathology and audiology services	11,385	14,498	(3,113)		10,155
Total pupils	113,769	112,647	1,122		92,989
Instructional staff					
Improvement of instruction services	31,077	32,249	(1,172)		27,151
Educational media services	109,225	129,569	(20,344)		130,274
Total instructional staff	140,302	161,818	(21,516)		157,425
General administration					
Board of education services	7,223	10,757	(3,534)		6,722
Executive administration services	14,898	14,887	11		14,209
Total general administration	22,121	25,644	(3,523)		20,931
School administration					
Office of the principal services	149,735	141,749	7,986		122,145
Total school administration	149,735	141,749	7,986		122,145

(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, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			
	Original and Final Budget	Actual	Variance From Final Budget	2009 Actual
Business				
Direction of business support services	\$ 8,819	\$ 16,293	\$ (7,474)	\$ 8,353
Fiscal services	51,318	66,235	(14,917)	44,307
Operation and maintenance of plant services	211,850	211,128	722	185,102
Pupil transportation services	28,471	20,645	7,826	22,336
Food services	1,802	1,784	18	1,471
Internal services	-	1	(1)	-
Total business	<u>302,260</u>	<u>316,086</u>	<u>(13,826)</u>	<u>261,569</u>
Central				
Planning, research, development and evaluation services	-	-	-	68
Staff services	<u>48,751</u>	<u>47,680</u>	<u>1,071</u>	<u>36,083</u>
Total central	<u>48,751</u>	<u>47,680</u>	<u>1,071</u>	<u>36,151</u>
Total support services	<u>776,938</u>	<u>805,624</u>	<u>(28,686)</u>	<u>691,210</u>
Payments to other districts & gov'ts				
Payments for CTE education programs	<u>-</u>	<u>203</u>	<u>(203)</u>	<u>-</u>
Total payments to other districts & gov'ts	<u>-</u>	<u>203</u>	<u>(203)</u>	<u>-</u>
Total expenditures	<u>1,571,634</u>	<u>1,592,845</u>	<u>(21,211)</u>	<u>1,368,915</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>184</u>	<u>\$ 184</u>	<u>45,477</u>
Fund balance, beginning of year		<u>947,214</u>		<u>901,737</u>
Fund balance, end of year		<u>\$ 947,398</u>		<u>\$ 947,214</u>

(Concluded)

North Shore School District 112

Working Cash Fund

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Revenues				
Local sources				
General levy	\$ 28,677	\$ 28,434	\$ (243)	\$ 218,299
Interest on investments	240,132	141,935	(98,197)	408,348
Total local sources	268,809	170,369	(98,440)	626,647
Total revenues	268,809	170,369	(98,440)	626,647
Expenditures				
Total expenditures	-	-	-	-
Excess of revenues over expenditures	268,809	170,369	(98,440)	626,647
Other financing uses				
Permanent transfer of working cash fund - interest	(240,132)	(141,935)	98,197	(408,348)
Total other financing uses	(240,132)	(141,935)	98,197	(408,348)
Net change in fund balance	\$ 28,677	28,434	\$ (243)	218,299
Fund balance, beginning of year		12,008,214		11,789,915
Fund balance, end of year		\$12,036,648		\$12,008,214

North Shore School District 112
Notes to the Required Supplementary Information
June 30, 2010

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 the
- 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 revenue
- 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) Budgetary control is maintained at line-item levels and built up into program and/or cost centers before being combined to form totals by fund. All actual activity compared to budget is available to the District's management in real time. These expenditures reports list each item's fiscal year-to-date expenditure, budget amount, and account balance.
- g) The budget amounts shown in the financial statements are as originally adopted by the Board of Education on August 18, 2009.
- h) 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, 2010:

<u>Funds</u>	<u>Amount</u>
Educational (a)	\$ 4,324,684
Operations and Maintenance	310,759
Municipal Retirement/Social Security	21,211
Capital Projects	39,787

- (a) Of this excess, \$3,898,609 represents allocations from the state for on-behalf payments. There is also an equal amount of revenues allocated from the state

SUPPLEMENTARY FINANCIAL INFORMATION

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, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			
	Original and Final Budget	Actual	Variance From Final Budget	2009 Actual
Revenues				
Local sources				
General levy	\$ 5,487,698	\$ 5,573,102	\$ 85,404	\$ 5,293,748
Interest on investments	<u>25,679</u>	<u>45,831</u>	<u>20,152</u>	<u>122,423</u>
Total local sources	<u>5,513,377</u>	<u>5,618,933</u>	<u>105,556</u>	<u>5,416,171</u>
Total revenue	<u>5,513,377</u>	<u>5,618,933</u>	<u>105,556</u>	<u>5,416,171</u>
Expenditures				
Debt service				
Debt services - interest				
Bonds - interest	<u>1,183,229</u>	<u>1,176,385</u>	<u>6,844</u>	<u>1,400,455</u>
Total debt service - interest	<u>1,183,229</u>	<u>1,176,385</u>	<u>6,844</u>	<u>1,400,455</u>
Principal payments on long-term debt	<u>6,332,207</u>	<u>6,333,115</u>	<u>(908)</u>	<u>5,610,075</u>
Other debt service				
Purchased services	<u>7,500</u>	<u>1,600</u>	<u>5,900</u>	<u>4,150</u>
Total	<u>7,500</u>	<u>1,600</u>	<u>5,900</u>	<u>4,150</u>
Total debt service	<u>7,522,936</u>	<u>7,511,100</u>	<u>11,836</u>	<u>7,014,680</u>
Total expenditures	<u>7,522,936</u>	<u>7,511,100</u>	<u>11,836</u>	<u>7,014,680</u>
Deficiency of revenues over expenditures	<u>(2,009,559)</u>	<u>(1,892,167)</u>	<u>117,392</u>	<u>(1,598,509)</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, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			
	Original and		Variance	2009
	Final	Actual	From	Actual
	Budget		Final Budget	
Other financing sources (uses)				
Permanent transfer of excess accumulated fire prevention & safety bond proceeds and interest earnings	\$ 1,288,610	\$ 1,288,610	\$ -	\$ 1,245,876
Transfer to pay for principal on capital leases	692,207	693,116	909	495,075
Transfer to pay for interest on capital leases	38,548	31,705	(6,843)	35,268
Other sources not classified elsewhere	<u>36,175</u>	<u>36,175</u>	<u>-</u>	<u>37,150</u>
Total other financing sources (uses)	<u>2,055,540</u>	<u>2,049,606</u>	<u>(5,934)</u>	<u>1,813,369</u>
Net change in fund balance	<u>\$ 45,981</u>	157,439	<u>\$ 111,458</u>	214,860
Fund balance, beginning of year		<u>1,921,610</u>		<u>1,706,750</u>
Fund balance, end of year		<u>\$ 2,079,049</u>		<u>\$ 1,921,610</u>

(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, 2010
 With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			
	Original and Final Budget	Actual	Variance From Final Budget	2009 Actual
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Support services				
Facilities acquisition and construction services				
Purchased services	-	-	-	9,602
Capital outlay	678,300	718,087	(39,787)	530,757
Total support services	678,300	718,087	(39,787)	540,359
Total expenditures	678,300	718,087	(39,787)	540,359
Deficiency of revenues over expenditures	(678,300)	(718,087)	(39,787)	(540,359)
Other financing sources				
Transfer in	678,300	718,087	39,787	508,584
Total other financing sources	678,300	718,087	39,787	508,584
Net change in fund balance	\$ -	-	\$ -	(31,775)
Fund balance, beginning of year		-		31,775
Fund balance, end of year		\$ -		\$ -

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, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Revenues				
Local sources				
General levy	\$ 1,296,419	\$ 1,308,150	\$ 11,731	\$ 1,255,219
Interest on investments	<u>2,726</u>	<u>18,497</u>	<u>15,771</u>	<u>7,885</u>
Total local sources	<u>1,299,145</u>	<u>1,326,647</u>	<u>27,502</u>	<u>1,263,104</u>
Total revenues	<u>1,299,145</u>	<u>1,326,647</u>	<u>27,502</u>	<u>1,263,104</u>
Expenditures				
Support services				
Facilities acquisition and construction services				
Purchased services	<u>501,535</u>	<u>-</u>	<u>501,535</u>	<u>162,992</u>
Total support services	<u>501,535</u>	<u>-</u>	<u>501,535</u>	<u>162,992</u>
Total expenditures	<u>501,535</u>	<u>-</u>	<u>501,535</u>	<u>162,992</u>
Excess of revenues over expenditures	<u>797,610</u>	<u>1,326,647</u>	<u>529,037</u>	<u>1,100,112</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, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			
	Original and		Variance	2009
	Final		From	
	Budget	Actual	Final Budget	Actual
Other financing uses				
Permanent transfer of excess accumulated				
Fire prevention & safety bond proceeds				
and interest earnings	<u>\$ (1,288,610)</u>	<u>\$ (1,288,610)</u>	<u>\$ -</u>	<u>\$ (1,245,876)</u>
Total other financing uses	<u>(1,288,610)</u>	<u>(1,288,610)</u>	<u>-</u>	<u>(1,245,876)</u>
Net change in fund balance	<u>\$ (491,000)</u>	<u>38,037</u>	<u>\$ 529,037</u>	<u>(145,764)</u>
Fund balance, beginning of year		<u>545,152</u>		<u>690,916</u>
Fund balance, end of year		<u>\$ 583,189</u>		<u>\$ 545,152</u>

(Concluded)

North Shore School District 112
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - STUDENT ACTIVITY FUNDS
Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Assets				
Cash and investments	\$ 217,039	\$ 387,862	\$ 372,700	\$ 232,201
Liabilities				
Due to student groups				
Braeside	\$ 13,356	\$ 28,154	\$ 23,939	\$ 17,571
Edgewood	19,953	73,581	74,773	18,761
Elm Place	12,544	68,395	77,718	3,221
Indian Trail	2,779	5,090	6,645	1,224
Lincoln	53,161	12,968	6,500	59,629
Northwood	20,379	83,351	71,409	32,321
Oak Terrace	5,045	24,142	25,190	3,997
Ravinia	29,169	18,311	20,204	27,276
Red Oak	9,393	9,849	13,165	6,077
Sherwood	39,939	32,172	32,952	39,159
Green Bay	2,469	4,093	2,572	3,990
W. Thomas	8,852	27,756	17,633	18,975
Total liabilities	\$ 217,039	\$ 387,862	\$ 372,700	\$ 232,201

STATISTICAL SECTION

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	
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	85 - 94
Revenue Capacity	
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	95 - 98
Debt Capacity	
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.	99 - 101
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	102 - 104
Operating Information	
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.	105 - 108

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 Eight Fiscal Years

	Fiscal Year							
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental Activities:								
Invested in capital assets, net of related debt	\$ 46,989,074	\$ 41,886,079	\$34,219,363	\$ 29,587,025	\$ 25,667,659	\$19,922,233	\$ 21,851,903	32,485,949
Restricted								
Student transportation	758,970	2,132,920	859,717	-	-	-	-	-
Retirement benefits	947,398	947,214	901,737	-	-	-	-	-
Capital projects	583,189	545,152	722,691	1,828,715	-	-	-	2,473,869
Tort immunity	779,928	673,017	631,766	583,401	497,800	911,182	1,111,122	894,846
Debt service	2,262,779	1,921,610	4,532,157	1,852,125	506,460	863,515	865,459	1,049,631
Unrestricted	<u>26,998,898</u>	<u>24,929,591</u>	<u>24,070,644</u>	<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>
Total net assets	<u>\$ 79,320,236</u>	<u>\$ 73,035,583</u>	<u>\$65,938,075</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 Eight Fiscal Years

Expenses	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities:								
Instruction								
Regular Programs	\$ 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	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	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	8,103,609	5,789,778	3,934,895	3,192,342	2,261,955	3,447,147	3,751,062	-
Support services								
Students	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	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	1,523,559	1,663,220	1,481,027	1,663,875	2,038,644	1,447,111	1,349,413	1,288,339
School Administration	3,188,089	3,172,189	2,994,651	3,052,486	2,642,844	2,625,966	2,122,293	2,088,164
Business	2,212,965	1,809,075	1,901,447	573,492	553,390	658,698	617,070	354,441
Transportation	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	6,063,593	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	747,685	675,482	710,784	672,974	512,050	629,997	491,603	489,813
Community Services	20,053.00	-	-	-	49,067	3,504	-	-
Nonprogrammed Charges	203.00	-	-	3,823,487	4,114,321	3,683,228	2,752,970	-
Interest on Debt	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	77,722,127	70,194,203	64,943,200	65,775,534	63,714,933	60,161,740	59,675,385	55,041,195
Program Revenues								
Governmental Activities								
Charges for Services:								
Instruction								
Regular Programs	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	149,926	125,306	-	-	-	-	-	-
Support Services								
Transportation	76,035	103,072	88,390	70,179	100,879	99,299	78,483	192,160
Business	135,407	150,975	131,982	244,043	98,832	355,856	311,977	155,933
Operations and Maintenance	146,219	158,149	-	-	-	-	-	-
Operating Grants and Contributions:								
Instruction								
Regular Programs	925,559	715,089	705,190	532,302	614,453	775,145	696,843	3,407,803
Special Programs	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	580,787	544,831	454,492	452,393	-	-	-	221,195
Support services								
Pupils	9,768	10,125	9,640	-	9,645	-	-	-
Instructional Staff	257,964	217,666	166,923	-	-	-	-	117,051
Operations and Maintenance	-	-	-	-	693,307	424,319	496,130	147,298
Transportation	915,830	943,493	997,708	-	1,066,454	1,305,640	1,096,579	1,490,791
Business	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
District Administration	-	-	-	-	-	-	-	-
School Administration	-	-	-	-	-	-	-	-
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	8,103,609	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	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	(61,121,187)	(57,390,067)	(54,354,033)	(56,671,109)	(55,041,817)	(50,353,660)	(50,296,262)	(35,318,616)
General Revenues:								
Governmental Activities:								
Taxes								
Property Taxes	\$ 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	548,718	678,274	775,373	725,053	664,496	593,582	426,789	798,697
General State Aid	896,632	1,011,851	967,936	957,072	959,346	964,876	970,140	1,962,329
Investment Earnings	754,156	1,715,954	2,600,033	2,836,795	2,029,625	1,095,120	336,972	885,209
Other General Revenues	2,224,416	1,431,328	977,391	1,400,408	724,885	287,418	138,869	1,243,968
Total General Revenues	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	\$ 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>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund				
(Educational and Operations and Maintenance):				
Reserved				
Prepaid Items	\$ 12,500	\$ 382,016	\$ 382,504	\$ 393,491
Self Insurance	-	1,051,970	1,503,653	-
Tort Immunity **	-	-	631,766	583,401
Unreserved				
Designated for self-insurance	794,620	1,051,970	1,503,653	-
Undesignated	<u>9,884,211</u>	<u>8,478,610</u>	<u>7,508,670</u>	<u>7,536,180</u>
Total General Fund	<u>\$ 10,691,331</u>	<u>\$ 10,964,566</u>	<u>\$ 11,530,246</u>	<u>\$ 8,513,072</u>
All Other Governmental Funds:				
Working Cash	\$ 12,036,648	\$ 12,008,214	\$ 11,789,915	\$ 9,961,125
Fire Prevention and Safety *	583,189	545,152	690,916	1,788,786
NonMajor Governmental Funds:				
Reserved				
Prepaid Items				
Debt Service	2,079,049	1,921,610	1,706,750	1,511,377
Unreserved				
Special Revenue	2,468,476	2,460,545	1,761,454	1,860,329
Capital Projects	<u>-</u>	<u>-</u>	<u>31,775</u>	<u>39,929</u>
Total All Other Governmental Funds	<u>\$ 17,167,362</u>	<u>\$ 16,935,521</u>	<u>\$ 15,980,810</u>	<u>\$ 15,161,546</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.

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 382,147	\$ 6,500	\$ -	\$ -	\$ -	\$ -
796,287	750,948	874,027	563,178	467,305	390,035
497,800	911,182	1,111,122	894,846	739,005	563,459
-	-	-	-	-	-
<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>1,236,050</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>	<u>\$ 2,189,544</u>
\$ 9,090,866	\$ 10,695,478	\$ 9,438,854	\$ 8,496,415	\$ 7,567,084	\$ 6,661,090
-	9,556,945	-	2,064,718	4,371,387	7,078,132
245,395	-	-	-	-	-
1,009,688	1,134,825	1,091,166	1,049,631	1,353,485	857,142
1,883,240	1,799,737	5,238,577	6,080,617	5,206,520	3,796,833
<u>6,230,775</u>	<u>421,233</u>	<u>778,424</u>	<u>409,151</u>	<u>399,430</u>	<u>1,379,783</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>	<u>\$ 19,772,980</u>

NORTH SHORE SCHOOL DISTRICT 112

Governmental Funds Revenues Last Ten Fiscal Years

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

Fiscal Years					
<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 56,162,348	\$ 51,787,154	\$ 49,340,558	\$ 47,893,241	\$ 46,235,532	\$ 46,268,426
4,388,436	4,247,844	4,220,871	7,877,770	11,146,482	5,657,898
1,431,809	1,807,617	1,498,691	2,060,658	1,641,584	1,487,092
<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>2,692,286</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>	<u>\$ 56,105,702</u>

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total capital outlay	\$ 3,518,517	\$ 3,052,079	\$ 1,653,614	\$ 1,493,311	\$ 844,281
Debt service:					
Principal	6,333,115	5,610,075	4,988,861	4,274,780	4,113,402
Interest	1,177,985	1,404,605	1,658,743	2,019,508	1,937,697
Total debt service	<u>7,511,100</u>	<u>7,014,680</u>	<u>6,647,604</u>	<u>6,294,288</u>	<u>6,051,099</u>
Total Expenditures	<u>\$ 83,981,160</u>	<u>\$ 76,959,574</u>	<u>\$ 69,587,345</u>	<u>\$ 73,268,718</u>	<u>\$ 68,471,852</u>
Debt service required as a percentage of noncapital expenditures	9.33%	9.49%	9.79%	8.77%	8.95%
Debt service as a percentage of total expenditures	8.94%	9.11%	9.55%	8.59%	8.84%

Fiscal Year				
<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 1,168,381	\$ 4,573,916	\$ 3,712,999	\$ 7,942,083	\$ 14,305,684
3,030,000	2,550,000	2,315,000	1,770,000	1,759,137
<u>1,882,368</u>	<u>2,144,214</u>	<u>2,580,878</u>	<u>2,478,857</u>	<u>2,650,570</u>
<u>4,912,368</u>	<u>4,694,214</u>	<u>4,895,878</u>	<u>4,248,857</u>	<u>4,409,707</u>
<u>\$ 62,671,080</u>	<u>\$ 62,563,546</u>	<u>\$ 57,102,634</u>	<u>\$ 58,714,967</u>	<u>\$ 63,615,028</u>
7.99%	8.09%	9.17%	8.37%	8.94%
7.84%	7.50%	8.57%	7.24%	6.93%

NORTH SHORE SCHOOL DISTRICT 112

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Excess of revenues over (under) expenditures	\$ (679,886)	\$ (203,103)	\$3,542,599	\$(3,835,041)	\$(4,227,304)
Other financing sources (uses)					
Transfers in	3,062,261	3,362,067	1,199,991	1,536,597	3,776,175
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>(3,062,261)</u>	<u>(3,362,067)</u>	<u>(1,199,991)</u>	<u>(1,536,597)</u>	<u>(3,776,175)</u>
Total other financing sources (uses)	<u>638,492</u>	<u>592,134</u>	<u>293,839</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (41,394)</u>	<u>\$ 389,031</u>	<u>\$3,836,438</u>	<u>\$(3,835,041)</u>	<u>\$(4,227,304)</u>

Fiscal Year				
<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ (1,381,318)	\$ (3,752,364)	\$ 729,035	\$ 3,315,431	\$ (7,509,326)
4,620,000	620,000	976,377	692,481	481,090
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>(4,620,000)</u>	<u>(620,000)</u>	<u>(976,377)</u>	<u>(692,481)</u>	<u>(481,090)</u>
<u>12,196,980</u>	<u>132,050</u>	<u>304,154</u>	<u>-</u>	<u>-</u>
<u>\$ 10,815,662</u>	<u>\$ (3,620,314)</u>	<u>\$ 1,033,189</u>	<u>\$ 3,315,431</u>	<u>\$ (7,509,326)</u>

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

<u>Tax Levy Year</u>	<u>Equalized Assessed Value</u>	<u>Actual Estimated Value</u>	<u>Total Direct Rate</u>
2009	\$ 2,775,758,242	\$ 8,411,388,612	2.313%
2008	2,850,112,993	8,636,706,039	2.215%
2007	2,740,389,897	8,304,211,809	2.186%
2006	2,577,404,428	7,810,316,448	2.225%
2005	2,354,422,964	7,134,615,042	2.312%
2004	2,101,536,614	6,368,292,770	2.457%
2003	1,962,192,004	5,946,036,376	2.538%
2002	1,799,519,013	5,453,087,918	2.658%
2001	1,717,843,268	5,205,585,661	2.624%
2000	1,514,540,939	4,589,517,997	2.893%

NORTH SHORE SCHOOL DISTRICT 112

Property Tax Rates - Direct and Overlapping Governments

Last Ten Tax Levy Years

District Direct Rates													
		Highland				Lake County				South Lake	Total		
Tax		Highland	Lake		Park	Park	North	Forest	Township of	College of	Mosquito	Overlapping	Total Tax
Levy Year	NSSD 112	Park	County	HSD 113	District	Sanitary	Preserve	Moraine	Lake County	Abatement	Government		Rate
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
2000	2.893	0.776	0.521	2.060	0.376	0.167	0.231	0.051	0.235	0.012	4.429		7.322

NORTH SHORE SCHOOL DISTRICT 112

Principal Taxpayers
Tax Levy Year 2009 and Nine Years Ago

<u>Taxpayer</u>	<u>2009</u>		<u>2000</u>	
	<u>Equalized Assessed Valuation</u>	<u>Percentage of Total</u>	<u>Equalized Assessed Valuation</u>	<u>Percentage of Total</u>
Metzler I Renaissance Place LP	\$ 15,446,971	0.01%	\$ -	0.00%
Federal Realty Invst Trst	8,361,716	0.00%	5,228,432	0.35%
Klairmont Family Associates, LP	5,375,846	0.00%		0.00%
Midwest Family Associates II, LLC	5,261,459	0.00%	-	0.00%
Sunset Food Mart, Inc.	5,248,608	0.00%		0.00%
Highland Park Associates II, LLC	4,810,886	0.00%	4,358,718	0.29%
Americana Apartments	4,476,037	0.00%	-	0.00%
North Shore Estates LLC	3,957,309	0.00%	-	0.00%
Ernie D Semerski	3,632,636	0.00%	-	0.00%
First Highland LLC	3,570,305	0.00%	4,202,474	0.28%
Target Corporation	-	0.00%	5,623,077	0.37%
City of Highland Park	-	0.00%	4,366,305	0.29%
CNC Highwood	-	0.00%	3,401,124	0.23%
Dominick's	-	0.00%	3,195,093	0.21%
Com Ed	-	0.00%	-	0.00%
Renaissnace Place	-	0.00%	4,165,814	0.28%
Total Principal Taxpayers in District	<u>60,141,773</u>	0.02%	<u>34,541,037</u>	2.30%
Other Taxpayers in District	<u>272,715,616,469</u>	<u>99.98%</u>	<u>1,474,160,862</u>	<u>97.70%</u>
Total	<u>\$ 272,775,758,242</u>	<u>100.00%</u>	<u>\$ 1,508,701,899</u>	<u>100.00%</u>

Source: Moraine Township Assessor (2000)
Lake County Tax Extension Office (2009)

NORTH SHORE SCHOOL DISTRICT 112

Property Tax Levies and Collections

Last Ten Tax Levy Years

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
2009	\$	64,688,542	\$ 32,669,441	50.50%	\$ 32,669,441	50.50%
2008		59,796,475	32,302,057	54.02%	32,302,057	54.02%
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%
2000		42,467,738	20,882,040	49.17%	42,928,061	101.08%

NORTH SHORE SCHOOL DISTRICT 112

Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Government Activities		Total Primary Government	Equalized Assessed Valuation	Percentage of EAV to Debt Outstanding
	General Obligation Bonds and Certificates	Capital Leases			
2010	\$ 24,440,000	\$ 982,266	\$ 25,422,266	\$ 2,775,758,242	0.92%
2009	30,080,000	1,036,889	31,116,889	2,850,112,993	1.09%
2008	34,975,000	941,630	35,916,630	2,740,389,897	1.32%
2007	40,897,706	1,382,706	42,280,412	2,577,404,428	1.64%
2006	43,820,000	1,400,079	45,220,079	2,354,422,964	1.92%
2005	47,560,000	1,773,481	49,333,481	2,101,536,614	2.35%
2004	40,425,000	-	40,425,000	1,962,192,004	2.06%
2003	42,215,000	-	42,215,000	1,799,519,013	2.35%
2002	43,105,000	-	43,105,000	1,717,843,268	2.51%
2001	44,875,000	-	44,875,000	1,514,540,939	2.96%

NORTH SHORE SCHOOL DISTRICT 112

Computation of Direct and Overlapping Debt

June 30, 2010

	Gross Bonded Debt <u>Outstanding</u>		Overlapping Percent	Applicable to District
Taxing Authority				
Lake County	\$ -		9.200%	\$ -
Lake County Forest Preserve	266,575,000	(2)	9.200%	24,524,900
Village of Deerfield	6,175,000		0.344%	21,242
City of Highland Park	21,515,000		97.323%	20,939,043
City of Highwood	-	(1)	100.000%	-
Park District of Highland Park	1,300,000		95.979%	1,247,727
Deerfield Park District	3,530,000		0.391%	13,802
North Shore Sanitary District	4,130,494	(3)	27.696%	1,143,982
High School District #113	49,290,000		57.210%	28,198,809
Lake County Community College #532	7,545,560	(1)(2)	9.684%	730,712
Total Overlapping Bonded Debt	<u>360,061,054</u>			<u>76,820,217</u>
Direct Debt				
North Shore Schools - District 112	<u>15,095,000</u>	(1)	100.000%	<u>15,095,000</u>
Total Overlapping and Direct Debt	<u>\$ 375,156,054</u>			<u>\$ 91,915,217</u>

Source of Information - Office of Lake County Clerk

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

(2) Includes original principal amounts of outstanding General Obligation Capital Appreciation Bonds.

(3) Includes bonds payable to the IEPA.

NORTH SHORE SCHOOL DISTRICT 112

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year									
	<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>	<u>2001</u>
Assessed Valuation	\$ 2,775,758,242	\$ 2,850,112,993	\$ 2,740,389,897	\$ 2,577,404,428	\$ 2,354,422,964	\$ 2,101,536,614	\$ 1,962,192,004	\$ 1,799,519,013	\$ 1,717,843,268	\$ 1,514,540,939
Statutory Debt Limitation (6.9% of assessed valuation)	191,527,319	196,657,797	189,086,903	177,840,906	162,455,185	145,006,026	135,391,248	124,166,812	118,531,185	104,503,325
Bonded Debt June 30	<u>25,422,266</u>	<u>31,116,889</u>	<u>36,213,016</u>	<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>44,017,858</u>
Legal Bonded Debt Margin	<u>\$ 166,105,053</u>	<u>\$ 165,540,908</u>	<u>\$ 152,873,887</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>\$ 60,485,467</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	<u>13.27%</u>	<u>15.82%</u>	<u>19.15%</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>	<u>42.12%</u>

NORTH SHORE SCHOOL DISTRICT 112

Demographic and Economic Statistics

Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population</u>		<u>Unemployment Rate</u>	
	<u>Highland Park</u>	<u>Highwood</u>	<u>Highland Park</u>	<u>Highwood</u>
2009	31,516	5,382	2.3	5.6
2008	31,457	5,414	4.5	6.6
2007	29,772	5,645	2.9	1.4
2006	31,365	4,143	2.8	N/A
2005	31,365	4,143	3.1	N/A
2004	31,365	4,143	3.8	N/A
2003	31,365	4,143	4.0	N/A
2002	31,365	4,143	4.1	N/A
2001	31,365	4,143	3.3	N/A
2000	31,365	4,143	2.8	N/A

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

NORTH SHORE SCHOOL DISTRICT 112

Principal Nonpublic Employers
Current Year and Nine Years Ago

	<u>2010</u>		<u>2001</u>
<u>Employer</u>	<u>Employees</u>	Percentage of Total <u>Employment</u>	<u>Employees</u>
Highland Park Hospital	1,200	6.9%	N/A
Ravina Festival	620	3.6%	N/A
J II Inc.	182	1.1%	N/A
Opportunity Medical	165	1.0%	N/A
Pickus Construction Company	100	0.6%	N/A
Skokie Valley Laundry & Cleaners	91	0.5%	N/A

Source of Information: 2010 Illinois Manufacturer's News Directory, 2010 Illinois Services
Directory and the 2010 Harris Illinois Industrial Directory

N/A - 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>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>	<u>2001</u>
Instruction											
Total instruction		<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>	<u>457</u>
Support Services											
Total support services		<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>	<u>160</u>
Community Services											
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total		<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>	<u>617</u>

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

NORTH SHORE SCHOOL DISTRICT 112

Operating Statistics Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>	<u>Operating Expenditures</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Expenses</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil- Teacher Ratio</u>
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
Information: Annual Financial Report 2001-2010 (ISBE Form SD50-35/JA50-60)

NORTH SHORE SCHOOL DISTRICT 112
OPERATING INDICATORS BY FUNCTION
June 30, 2010

Function	2010
Instruction	
Regular and Special student enrollment	4,589
Support Services	
Pupil	
% of student population from Non-English Language Background	16
School Administration	
Average daily attendance	4,073
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	2,700
Avg. number of regular bus runs to/from school	66
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%

Source of Information:

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

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

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Elementary Schools -										
Braeside										
Square Feet ***	43,636	43,636	43,636	43,636	43,636	43,636	43,636	43,636	43,636	
Enrollment ****	279	287	293	298	277	285	274	284	264	269
Indian Trail										
Square Feet	65,403	65,403	65,403	65,403	65,403	65,403	65,403	65,403	65,403	65,403
Enrollment	392	390	411	414	427	436	434	457	472	404
Lincoln										
Square Feet	48,471	48,471	48,471	48,471	48,471	48,471	48,471	48,471	48,471	48,471
Enrollment	288	282	279	275	269	283	301	315	307	310
Oak Terrace *										
Square Feet	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Enrollment	516	547	531	506	493	495	500	532	482	454
Ravinia										
Square Feet	51,634	51,634	51,634	51,634	51,634	51,634	51,634	51,634	51,634	51,634
Enrollment	313	307	302	318	297	302	311	332	321	311
Red Oak										
Square Feet	57,153	57,153	57,153	57,153	57,153	57,153	57,153	57,153	57,153	57,153
Enrollment	336	353	409	386	371	366	361	341	343	354
Sherwood										
Square Feet	50,863	50,863	50,863	50,863	50,863	50,863	50,863	50,863	50,863	50,863
Enrollment	386	389	403	390	405	410	417	416	369	320
Wayne Thomas										
Square Feet	56,221	56,221	56,221	56,221	56,221	56,221	56,221	56,221	56,221	56,221
Enrollment	357	367	343	336	334	371	373	410	406	437
Green Bay**										
Square Feet	60,808	60,808	60,808	60,808	60,808	60,808	60,808			
Enrollment	210	215	72	67	46	34	26			
Totals - Elementary										
Square Feet	519,189	519,189	519,189	519,189	519,189	519,189	519,189	458,381	458,381	414,745
Enrollment	3,077	3,137	3,043	2,990	2,919	2,982	2,997	3,087	2,964	2,859
Middle Schools -										
Edgewood										
Square Feet	136,492	136,492	136,492	136,492	136,492	136,492	136,492	136,492	136,492	136,492
Enrollment	599	584	567	563	601	568	568	555	573	550
Elm Place										
Square Feet	113,493	113,493	113,493	113,493	113,493	113,493	113,493	113,493	113,493	113,493
Enrollment	479	493	497	489	468	461	441	439	422	495
Northwood										
Square Feet	83,826	83,826	83,826	83,826	83,826	83,826	83,826	81,426	81,426	81,426
Enrollment	434	418	405	365	366	404	419	440	460	484
Totals - Middle Schools										
Square Feet	333,811	333,811	333,811	333,811	333,811	333,811	333,811	331,411	331,411	331,411
Enrollment	1,512	1,495	1,469	1,417	1,435	1,433	1,428	1,434	1,455	1,529
District Totals:										
Square Feet	853,000	853,000	853,000	853,000	853,000	853,000	853,000	789,792	789,792	746,156
Enrollment	4,589	4,632	4,512	4,407	4,354	4,415	4,425	4,521	4,419	4,388

* Oak Terrace School Razed in 2000. Students transported to out-of-district school site until completion of new school in 2001.

**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 (%)				
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