



Highland Park, Illinois

Comprehensive Annual Financial Report

For the fiscal year ended
June 30, 2013

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

North Shore School District 112
Highland Park, Illinois

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

Prepared by:

Mohsin Dada
Chief Financial Officer

North Shore School District 112
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
TABLE OF CONTENTS	i-iii
INTRODUCTORY SECTION	
Transmittal Letter	iv - x
Organizational Chart	xi
Officers and Officials	xii
Association of School Business Officials International - Certificate of Excellence	xiii
Certificate of Achievement for Excellence in Financial Reporting	xiv
FINANCIAL SECTION	
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 16
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position - Governmental Activities	18
Statement of Activities	19
Fund Financial Statements	
Balance Sheet - Governmental Funds	20 - 21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	23 - 24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Fiduciary Assets and Liabilities - Agency Fund	26
Notes to the Financial Statements	27 - 59
Required Supplementary Information (Unaudited)	
Schedule of Funding Progress - Illinois Municipal Retirement Fund	60
Schedule of Funding Progress - Other Postemployment Benefits	61
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	62 - 74

(Continued)

North Shore School District 112
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION (Continued)	
Required Supplementary Information (Unaudited) (Continued)	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Operations and Maintenance Fund	75 - 76
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Transportation Fund	77 - 78
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Municipal Retirement/Social Security Fund	79 - 81
Notes to the Required Supplementary Information	82
SUPPLEMENTARY FINANCIAL INFORMATION	
General Fund	
Combining Balance Sheet	83
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	84
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Debt Service Fund	85 - 86
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Fire Prevention and Safety Fund	87
Statement of Changes in Assets and Liabilities - Agency Fund - Student Activity Funds	88

(Continued)

North Shore School District 112
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
STATISTICAL SECTION (Unaudited)	
Statistical Section Contents	89
Net Position by Component - Last Ten Fiscal Years	90 - 91
Change In Net Position - Last Ten Fiscal Years	92 - 93
Fund Balances - Governmental Funds - Last Ten Fiscal Years	94 - 95
Governmental Fund Revenues - Last Ten Fiscal Years	96 - 97
Governmental Expenditures and Debt Services Ratio - Last Ten Fiscal Years	98 - 99
Net Change in Fund Balances - Governmental Funds - Last Ten Fiscal Years	100 - 101
Assessed Value and Estimated Actual Value of Taxable Property	
- Last Ten Tax Levy Years	102
Property Tax Rates - Direct and Overlapping Governments	
- Last Ten Tax Levy Years	103
Principal Taxpayers - Tax Levy Year 2012 and Nine Years Ago	104
Property Tax Levies and Collections - Last Ten Tax Levy Years	105
Outstanding Debt by Type - Last Ten Fiscal Years	106
Computation of Direct and Overlapping Debt	107
Legal Debt Margin Information - Last Ten Fiscal Years	108 - 109
Demographic and Economic Statistics - Last Ten Calendar Years	110
Principal Nonpublic Employers - Current Year and Three Years Ago	111
Full-time Equivalent District Employees by Type - Last Ten Fiscal Years	112
Operating Statistics - Last Ten Fiscal Years	113
Operating Indicators by Function	114
School Building Information - Last Ten Fiscal Years	115
Teacher Base Salaries - Last Ten Fiscal Years	116

(Concluded)

INTRODUCTORY SECTION



1936 Green Bay Road
Highland Park, Illinois 60035
Phone: 224-765-3000
www.nssd112.org

December 6, 2013

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

The Comprehensive Annual Financial Report (CAFR) of North Shore School District 112 (District 112), Highland Park, Illinois, for the fiscal year ended June 30, 2013, is submitted herewith. The report was prepared by the Chief Financial Officer. The report date on the underlying financial statements is December 2, 2013, 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, the enclosed data is accurate in all material respects and is reported in a manner designed to present the financial position and results of operations of the District fairly. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Financial Statements

The CAFR includes all funds that are controlled by or dependent on the Board of Education of the District, and is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the District's organizational chart, a list of principal officials, the Certificate of Excellence and the Certificate of Achievement for Excellence in Financial Reporting. 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 and the notes to the financial statements. The statistical section includes selected unaudited financial and demographic information, generally presented on a multiyear basis.

The District does not have 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.

History of the District

The District was organized on July 1, 1993, and is governed by an elected seven-member Board of Education. The District maintains grades kindergarten through eighth in eight elementary school buildings and three middle school buildings. Pre-kindergarten and certain special education programs are also provided in the District's administrative building.

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

The District's year over year enrollment is relatively stable, with some fluctuation during the year generated by military housing in the Fort Sheridan Army 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. Over the next year, the District does not expect significant enrollment fluctuation.

Accounting Systems and Budgetary Control

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

The District's independent auditors perform tests 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, 2013, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

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

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

Activities of the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds are included in the annual budget. The level of budgetary control is established at the 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.

General Governmental Activities

The general governmental activities include all services provided by the District. Included are the general, special revenue, debt service and capital project funds. The activities include all instructional, maintenance, and administrative costs of the district.

Property taxes are the most significant revenue source of the District. The three factors that affect property tax revenues are assessed valuation, the tax multiplier, and the tax rate. The equalized assessed valuation of the District of \$2,223,675,650 represents a decrease in the tax base of 7% over the prior year. The tax multiplier is determined by a state agency which attempts to equalize the assessment on real property in order to determine the property value for taxing purposes. This value is referred to as the equalized assessed valuation (EAV).

Economic Condition and Outlook

The District is located in the northeastern part of the state in a mature “built out” community. The District’s tax base is primarily made up of residential communities, with some retail businesses and little industry. The economic condition of the Highland Park and Highwood areas is relatively stable. Assessed property values in the District’s community, as with virtually all nationally, have declined. The District’s property value decline for existing unimproved properties has been approximately 7% aggregately per year, over the past two years. While being an unfavorable trend, the decline has been far less than other Chicago area communities, some of which have been impacted by double digit annual declines in assessed values. The prospect of continuing the current level and receiving some additional property tax revenue is good.

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

Like all districts in the state, District 112 has fiscal challenges provided by current global economic conditions that will negatively impact future operations and the ability to maintain balanced budgets. Unlike most other districts, however, District 112 has substantial fund balance reserves to help sustain reasonably reduced operations and overall negative economic impacts.

STRATEGIC PLAN, MISSION, BELIEFS, PARAMETERS, OBJECTIVES, AND STRATEGIES

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.

Beliefs

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 overzealous 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.
8. We will always consider the environmental impact of our decisions as we pursue our Mission.

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 develop, 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 strategies will provide focus and total system concentration of our effort and resources.

1. We will continue to align our curriculum and develop 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 creativity and intellectual curiosity for 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 plans to unify our district and 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. (Combined with Strategy 2, May 2013)
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.

Strategy 1

We will continue to align our curriculum, standards, and student assessments in all curricular areas.

- Plan 1: Operationalize a system that collects, stores, and analyzes student information and performance data from multiple sources.
- Plan 2: Communicate the District's adopted curriculum and its development process to all stakeholders.
- Plan 3: We will implement Common Core State Standards with fidelity as part of the established curricular and programmatic review cycles.
- Plan 4: Improve vertical and horizontal content collaboration focused on student learning.
- Plan 5: Identify and implement unit assessments in the Common Core State Standard areas.
- Plan 6: Ensure differentiated staff professional development to address various stages of curriculum development and assessments.
- Plan 7: Develop an elementary standards-based report card on adopted District standards.
- Plan 8: Embed diversity themes and activities District-adopted curricula.

Strategy 2

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

- Plan 1: Ensure academic excellence for all North Shore School District 112 students by providing interventions and advanced learning opportunities in addition to Tier I/Core instruction when students demonstrate need.
- Plan 2: All District staff will participate in professional development opportunities based on identified needs related to curriculum (Common Core State Standards, Power Standards), instruction (Differentiation, Response to Intervention, English Language Learners, principles of effective, intentional teaching, technology integration), and assessment (formative, summative).
- Plan 3: We will increase awareness and access to all instructional programs, resources, tools, and community partnerships available to the North Shore School District 112 faculty.

Strategy 3

We will develop and implement plans to ensure the sustainability of the District's financial and human resources and their equitable distribution.

- Plan 1: The District will maximize the efficient, effective equitable delivery of personnel, programs and services. (Special Ed Program Realignment, Language Acquisition Programs, Custodial Services) (Diversity)
- Plan 2: The District will improve the efficient and equitable use of the facilities and property (physical) assets.
- Plan 3: The District will improve upon the statistical reporting so the district can measure equitable distribution of financial and human resources.

Strategy 4

We will develop and implement plans to ensure we have the facilities and technology infrastructure needed to achieve our Mission and Objectives.

- Plan 1: Secure our buildings to make them a safer learning environment.
- Plan 2: Decrease power usage and material waste by 20%.
- Plan 3: Develop a common model for disposal (removal) of outdated and/or unneeded District equipment.
- Plan 4: Study and recommend a district model for facilities PreK-8.
- Plan 5: Create technology standards for teachers.
- Plan 6: Standardize software applications.
- Plan 7: Implement a plan to increase Internet bandwidth to industry best.
- Plan 8: Complete Promethean Board deployment.
- Plan 9: Improve computer-to-student ratio.

Strategy 5

We will develop plans to unify our district and 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: Newly-hired District 112 employees will examine and broaden their understanding of diversity so they can meet the needs of District 112's diverse community.
- Plan 2: The District will increase awareness of existing community events to increase stakeholder participation.
- Plan 3: North Shore School District 112 will develop and implement communications plans that highlight the diversity across the District and promote the Community – School partnership.

Strategy 6

Embedded in Strategy 2.

Strategy 7

Model, integrate, recognize and develop the means to assess the character traits of trustworthiness, respect, responsibility, fairness, caring and citizenship throughout the District.

- Plan 1: Develop a consistent framework for expectations of good character for students, parents, staff and community members.
- Plan 2: Create an organizational culture within each school that supports the District’s character framework and nurtures the social emotional growth of each student.
- Plan 2: Create an organizational culture within each school that supports the District’s character framework and nurtures the social emotional growth of each student.
- Plan 4: The District will create and implement a communication plan regarding its character programs and activities (“character plan”).
- Plan 5: The District will develop partnerships with various organizations to strengthen character strengths of students, parents, staff and community members.
- Plan 6: Develop ways to celebrate good character.

OTHER INFORMATION

Independent Audit

State statutes require an annual audit of the books of accounts, financial records, and transactions of all funds of the District. The financial statements audit as of June 30, 2013, and the year then ended was performed by, the independent certified public accounting firm of, Miller, Cooper & Co., Ltd. The unmodified auditors’ report is included in the financial section of this report.

Acknowledgments

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

Respectfully submitted,



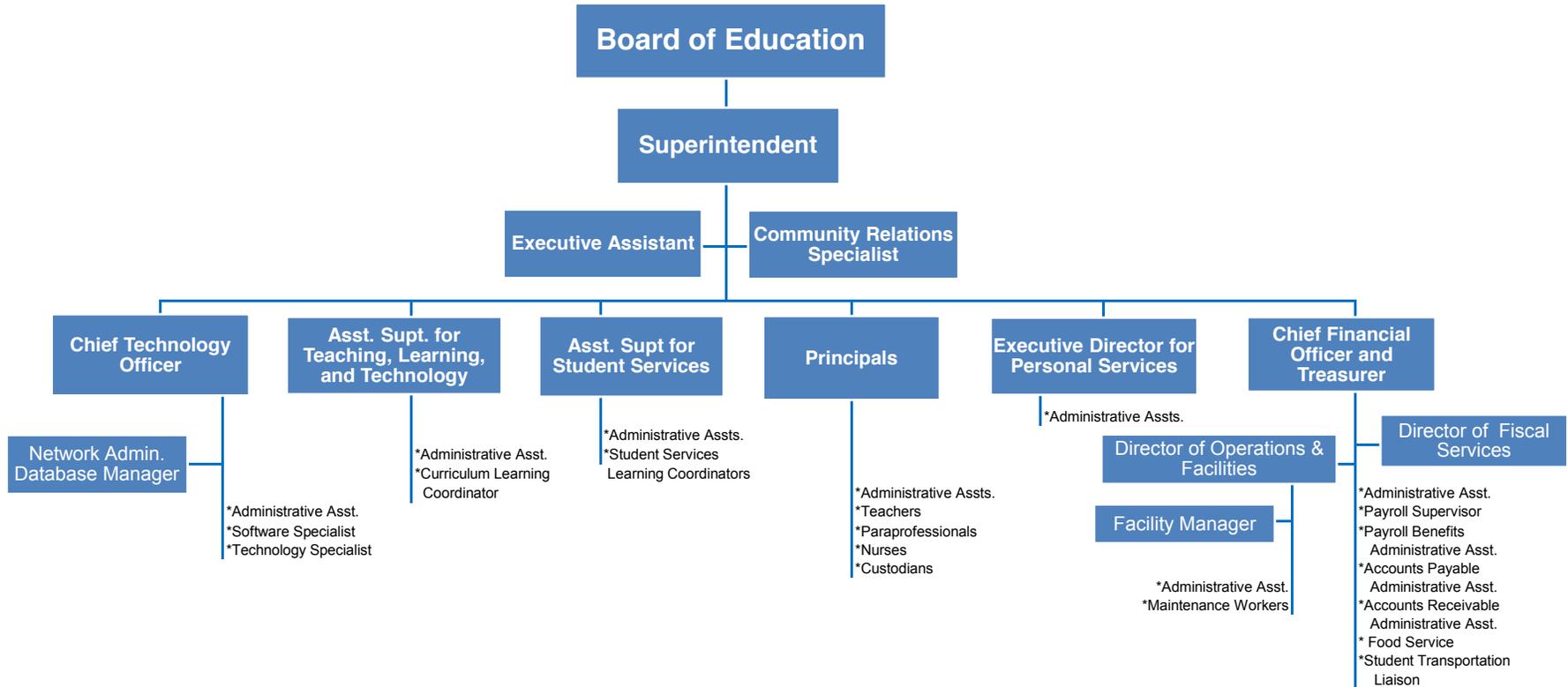
David L. Behlow, Ph.D.
Superintendent of Schools



Mohsin Dada
Chief Financial Officer and Treasurer

ORGANIZATIONAL CHART

NORTH SHORE SCHOOL DISTRICT 112



North Shore School District 112

1936 Green Bay Road
Highland Park, IL 60035

Comprehensive Annual Financial Report
Officers and Officials
Fiscal Year Ended June 30, 2013

Board of Education

		<u>Term Expires</u>
Bruce Hyman	President	2015
Howard Metz	Vice President	2017
Jane Solmor-Mordini	Member	2017
Michael Cohn	Member	2015
Yumi S. Ross	Member	2015
Karla Livney	Member	2017
Samantha Stolberg	Member	2017

District Administration

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

Official Issuing Report

Mohsin Dada, CFP
Chief Financial Officer and Treasurer

Department Issuing Report

Business Office

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

North Shore School District 112

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, appearing to read 'Ron McCulley', written over a horizontal line.

Ron McCulley, CPPB, RSBO
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director



Government Finance Officers Association

**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, 2012

Executive Director/CEO

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise North Shore School District 112's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

North Shore School District 112's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 17, the Illinois Municipal Retirement Fund historical data on page 60, the other postemployment benefits data on page 61, and the budgetary comparison schedules and notes to required supplementary information on pages 62 through 82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Shore School District 112's basic financial statements. The other schedules listed in the table of contents supplementary financial information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information (Continued)

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of North Shore School District 112, as of and for the year ended June 30, 2012 (not presented herein), and have issued our report thereon dated December 13, 2012, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for the Capital Projects Fund, Debt service Fund and Fire Prevention and Safety Fund with comparative actual amounts for the year ended June 30, 2012 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 financial statements. The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for the Capital Projects Fund, Debt Service Fund and Fire Prevention and Safety Fund have been subjected to the auditing procedures applied in the audit of the 2012 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for the Capital Projects Fund, Debt Service Fund and Fire Prevention and Safety Fund are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013 on our consideration of North Shore School District 112's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Shore School District 112's internal control over financial reporting and compliance.

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
December 6, 2013

North Shore School District 112
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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, 2013. Please read it in conjunction with the transmittal letter found in the introductory section and with the District's financial statements, including detailed information provided in the notes to the financial statements. Certain comparative information between the current year and the prior is required to be presented in the Management's Discussion and Analysis (MD&A).

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

Financial Highlights

- As reflected in the Government-wide financial statements, as of June 30, 2013, the District has \$66.9 million in cash and investments, a \$96.3 million net position, and \$172.4 million of total assets. In fiscal 2013, the District again achieved an increase in its net position. The increase was equal to approximately \$7.4 million from accrual based operations, for the year ended June 30, 2013. The District's financial status continues to be strong.
- The District's traditional modified accrual fund financial statements also reflect a continued strong financial position as of June 30, 2013, with total governmental fund assets of \$101.1 million and total governmental fund balances of \$29.8 million; \$27.4 million of which is related to operating funds. After setting aside accumulated operating fund balances by assignment to meet the Board's required amount equal to 25% of expenses allocations, unassigned fund balances at June 30, 2013, are approximately \$5.8 million. Approximately \$12.5 million of the total fund balance is in the District's Working Cash Fund as of June 30, 2013; a fund typically viewed as a long-term savings fund.
- During fiscal 2013, overall governmental fund revenues were \$87.7 million. Expenditures were \$86.3 million. This resulted in an excess of revenues over expenditures, for the year of \$1.4 million.
- In the District's primary operating funds (Educational, Operations and Maintenance, Transportation, Tort Immunity and Judgment and Working Cash funds), there was an increase in fund balances for the year of \$1.6 million. The aggregate operating fund increase was due to continued implementation of fiscally responsible management, planning, and cost controls, in the currently challenging economic environment, along with the deferment of some capital projects.

North Shore School District 112
Management's Discussion and Analysis
For the Year Ended June 30, 2013

- 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 1.5% for fiscal 2013 or 5%. There is an additional revenue factor for new construction. The State also permits subsequent year property tax revenue reductions for the impact of prior year property tax appeals. In fiscal 2013 the District received property tax revenue based on the CPI rate of 1.5%. This rate is below the 21 year average of 2.5%, but in line with the rate for the past 3 years, which is 1.4%. In addition to the slow-down in revenue growth in property taxes the District is not able to enhance investment income due to a very low interest rate environment of fixed securities and CDs.
- Revenues from federal sources decreased \$181,422 but state revenue sources, net of annual state pension contributions decreased \$98,527 during fiscal 2013. As an affluent flat grant school district our dependency on state funding is very limited.
- Enrollment for the fiscal year ended June 30, 2013, based on the state of Illinois End of Year Report, was 4,454, down from 4,470 in the previous year. This decrease of 16 students from the previous year 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.

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 2013. Other than the Fort Sheridan development and rebuilt homes on existing property sites, there was minimal new development in the District. Given the state of the state, national and global economics, new property development is expected to decline in future years. The District anticipates having the ability to continue to manage future enrollment fluctuations within existing facilities.

- In fiscal 2013, the District spent approximately \$3.3 million on capital projects. \$2.2 million of that amount was related to technology needs. Significant projects included infrastructure upgrades and technology replacement. The remaining \$1.1 million was spend on facility improvements, including roof repairs at Edgewood, window replacement at Indian Trail and pavement work across the entire District.
- The District's total debt service expenditure for fiscal 2013 was \$7,221,006, as funded primarily by specific levies.
- In consideration of all of these financial impacts, the District was able to achieve a surplus of revenue over expenditures for operating purposes in fiscal 2013 to approximately \$1.4 million. This surplus spending primarily represented contemplated fiscally prudent use of operating fund balances to maintain and address appropriate educational, technology and capital project needs in a year which presented significant financial challenges in the form of unusual revenue restraints and expenditures commitments.

**North Shore School District 112
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

	<u>FY 2013 Budget (\$MM)</u>	<u>FY 2013 Actual (\$MM)</u>	<u>Variance</u>
Revenue	85.7	87.7	-2.0%
Expenditures	<u>85.7</u>	<u>86.3</u>	<u>-0.7%</u>
Total	0.0	1.4	-1.3%

- As of June 30, 2013 remaining operating fund balances were 37.5% of operating fund expenditures; a level within the District's policy guidelines of maintaining operating fund balance reserves equal to at least 25% of operating fund expenditures; a resulting assigned operating fund balance reserve of \$16.8 million at June 30, 2013. The unassigned operating fund balance after fund balance restrictions and assignments is approximately \$5.8 million at June 30, 2013.

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 the 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 position 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 position* and how they have changed. Net position is 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.

North Shore School District 112
Management's Discussion and Analysis
For the Year Ended June 30, 2013

- To assess the District's overall health, one must consider additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are categorized as *Governmental Activities*. All of the District's basic services are included here, such as regular and special education,

facility maintenance and operation, transportation, and administration. Property taxes, federal aid, and state formula aid finance most of these activities.

Fund Financial Statements

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

- Most funds are required by state law and by bond covenants. In fiscal 2009 the state required districts to establish two additional funds; a Tort Immunity and Judgment and a Capital Projects Fund. The Tort Immunity and Judgment Fund is primarily for qualified tort claims and the cost of risk management activities. The Capital Projects Fund (previously the Site and Construction Fund) is primarily used to account for capital projects paid from prior fund balances or new debt proceeds. The former Bond and Interest Fund, was also renamed to the Debt Service Fund; its function did not substantially change.
- Other funds, such as Working Cash Fund, established by the District to control and manage money for short- or long-term identified or contingent cash needs provided to other funds either through loans or transfers. It is similar to the District's savings account.

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

- *Educational Fund* (included as part of the General Fund) – is used primarily for the delivery of educational programs to the students. Property taxes are the primary source of revenues which are also supplemented by federal and state grant and local fee revenues.
- *Operations and Maintenance Fund* – is used for expenditures made for operations, repair, and maintenance of the District's building and land. Revenue consists primarily of local property taxes.
- *Debt Service Fund* – is used for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The primary revenue source is local property taxes levied specifically for debt services and transfers from other funds.
- *Transportation Fund* – is used to account for all revenues and expenditures made for student transportation. Revenues are derived primarily from local property taxes and state reimbursement grants. Although, state funding has declined in recent years.

North Shore School District 112
Management's Discussion and Analysis
For the Year Ended June 30, 2013

- *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.
- *Working Cash Fund* (included as part of the General Fund) – is used to account for financial resources held by the District which are available for interfund loans or transfers to other funds.
- *Tort Immunity and Judgment Fund* (included as part of the General Fund) – is used to account for revenues and expenditures related primarily to liability insurances. Revenue consists primarily of local property taxes.
- *Fire Prevention and Safety Fund* – is used to account for state-approved life safety projects financed through serial bond issues or local property taxes levied specifically for such purposes.

The District has two categories of funds:

- *Governmental Funds:* All of the District's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets can readily be converted to cash flows – both in and out - and (2) the balances left at year-end that are available for spending.
Consequently, the governmental funds statements provide a detailed short-term view that allows one to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

North Shore School District 112
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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

North Shore Schools District 112's Net Position				
	FY 2013	FY 2012	\$ Change	% Change
Current and other assets	\$101,209,144	\$101,807,075	(\$597,931)	-1%
Capital assets and land	71,231,239	71,874,972	(643,733)	-1%
Total assets	\$172,440,383	\$173,682,047	(\$1,241,664)	-1%
Long-term liabilities	\$7,858,983	\$14,472,572	(\$6,613,589)	-46%
Other liabilities	68,251,110	70,303,140	(2,052,030)	-3%
Total liabilities	\$76,110,093	\$84,775,712	(\$8,665,619)	-10%
Invested in capital assets, net of related debt	\$63,122,681	\$57,079,378	\$6,043,303	11%
Restricted	9,431,451	4,712,247	4,719,204	100%
Unrestricted	23,776,158	27,114,710	(3,338,552)	-12%
Total net position	\$96,330,290	\$88,906,335	\$7,423,955	8%
Total liabilities and net position	\$172,440,383	\$173,682,047	(\$1,241,664)	

The District's operations for fiscal 2013 increased the net position of the District by \$7.4 million. In addition, the long term debt obligations were substantially reduced in fiscal 2013 in accordance with the scheduled debt payment.

North Shore School District 112
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Changes in North Shore School District 112's Net Position						
Increases (Decreases) from Governmental Activities						
	<u>FY 2013</u>	<u>% Total</u>	<u>FY 2012</u>	<u>% Total</u>	<u>Increase (Decrease)</u>	<u>% Chg.</u>
Revenues:						
Program revenues:						
Charges for services	\$1,014,332	1%	\$1,051,165	1%	(\$36,833)	-4%
Operating grants and contributions	5,512,256	6%	5,687,751	7%	(\$175,495)	-3%
State retirement TRS contributions	10,008,093	11%	9,076,276	11%	\$931,817	10%
General revenues:						
Property taxes	67,194,212	77%	63,775,733	76%	\$3,418,479	5%
Replacement taxes	668,843	1%	654,610	1%	\$14,233	2%
State and Federal aid not restricted to specific purposes	1,811,656	2%	1,181,508	2%	\$630,148	53%
Investment earnings	273,817	0%	254,898	0%	\$18,919	7%
Miscellaneous	<u>1,225,287</u>	<u>1%</u>	<u>1,770,145</u>	<u>2%</u>	<u>(\$544,858)</u>	<u>-31%</u>
TOTAL REVENUES	87,708,496	100%	83,452,086	100%	\$4,256,410	5%
Expenses: (1)						
Instructional services:						
Regular programs	\$23,352,715	29%	\$24,826,055	32%	(\$1,473,340)	-6%
Special programs	9,241,318	11%	9,290,067	12%	(48,749)	-1%
Other programs	5,298,953	7%	5,693,955	7%	(395,002)	-7%
State retirement TRS contributions	10,008,093	12%	9,076,276	12%	931,817	10%
Supporting services:						
Pupils	4,020,115	5%	4,078,422	5%	(58,307)	-1%
Instructional staff	4,541,275	5%	4,008,660	5%	532,615	13%
District administration	1,409,685	2%	1,269,129	2%	140,556	11%
School administration	3,269,095	4%	3,474,934	4%	(205,839)	-6%
Business operations	2,366,492	3%	2,162,251	3%	204,241	9%
Transportation	2,492,615	3%	2,621,684	3%	(129,069)	-5%
Operations and maintenance	7,342,641	9%	6,163,719	8%	1,178,922	19%
Food internal services	459,062	1%	520,867	1%	(61,805)	-12%
Central and staff services	2,987,918	4%	855,004	1%	2,132,914	249%
Nonprogrammed tuition charges	2,925,373	4%	3,656,586	5%	(731,213)	20%
Interest on long-term debt	569,191	1%	910,012	1%	(340,821)	-37%

**North Shore School District 112
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Total expenses	\$80,284,541	100%	\$78,607,621	100%	1,676,920	2%
Change in net position	7,423,955		4,844,465			
Net position, beginning	\$88,906,335		\$84,061,870			
Net position, ending	\$96,330,290		\$88,906,335			

(1) To facilitate the financial analysis, categories for each year are shown in more detail than used in the Statement of Activities in the government-wide financial statements. In addition, in fiscal 2012 allocation of special and other program expenses was refined resulting in reclassification of certain expenses from the general instruction category used in the prior year and was continued in fiscal 2013.

The District's financial position remains strong due to a high EAV per pupil tax base. Although, the tax base is declining due to a significant slow-down in the national economy, the school district is still able to access additional property tax revenue by raising the tax rate. The state of Illinois limits the increase in property tax revenue to no more than the prior year's Consumer Price Index (CPI), with the exception of an additional tax base established for a year by the value of any new construction. The result of this new construction results in additional equalized assessed valuation in property value which gives the District access to more dollars than the Consumer Price Index based inflationary increase in property taxes assessed on existing unimproved properties. For the 2013 fiscal year, the CPI of 1.5% was significantly lower than the fiscal 2012 CPI of 2.7%.

The District's total accrual based revenue in fiscal 2013 increased approximately 5% from \$83.4 million to \$87.7 million, or an increase of \$4.3 million from the prior year. However, this variance should be measured and evaluated without consideration of (1) On-behalf pension plan contributions from the state and (2) Taxes received for the District's debt service. The On-behalf pension plan contribution has no economic effect on the District's financial statements 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 10% or \$0.9 million from an allocation of \$9.1 million in fiscal 2012 to \$10.0 million in fiscal 2013. This increase is due primarily to a continued effort by the state in the last couple of years to lessen the amount of its historic deferred funding of current obligations and to cover recent plan investment losses. Without consideration of On-behalf pension plan contributions from the state and the property tax revenue received exclusively for debt service, revenues in fiscal 2013 increased \$3.3 million from 2012 to 2013.

Collection of the state's portion of grant funding during the year has improved significantly over the last two years. At this November 2013 writing the state has paid all of their obligations for fiscal 2013.

The total of all expenses for fiscal 2013 was \$80.3 million. This represented slightly more than 2% or \$1.7 million increase from prior year expenses. However, as was done with the analysis of revenue growth between years, a more representative basis is established by eliminating the effect of On-behalf state pension plan contributions allocated to the District. After eliminating the effect of On-behalf payments, the expense increase in fiscal 2013 was 1.1% or \$0.7 million.

Instructional services (excluding on-behalf payments) including regular, special, and other educational programs accounted for 47% of all expenses, or \$37.9 million. The decrease in these instructional program categories from the prior year, in the total amount of \$1.9 million was due primarily to a reduction in staff.

North Shore School District 112
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Supporting services for students, instructional staff, district administration, school administration, and business operations accounted for 19% of all fiscal 2013 expenses, or \$15.6 million. This is consistent with the prior year where the cost of these support services was 19% of total expenses as well.

Operations and maintenance of facilities, including depreciation expenses, net of capitalized capital project costs increased by \$1.2 million to \$7.3 million in fiscal 2013. This increase is primarily due to the growing cost of aging buildings. The District believes its investment in capital assets is appropriate to maintain quality education services for its students in a safe and appropriately maintained environment.

Transporting students to school and providing busing for field trips and summer school accounted for 3% of all expenses. Costs decreased by 5%, due primarily to the cost containment strategies implemented by the district. Overall, the District experiences a cost and efficiency benefit from outsourcing transportation services. It is anticipated that these base year cost savings will continue to be experienced in future years based on the projected bid results of the five year contract that began with the 2010-2011 school year.

Nonprogrammed charges decreased by \$0.7 million in fiscal 2013. The majority of these services are provided by the NSSD co-op and other private enterprises that offer services to special education students on a tuition basis. In an effort to further reduce these costs in the future, the District has announced its intention to withdraw from the co-op and provide these services internally. In addition, these expenditures are very dependent on the special education enrollment and may fluctuate based on the special needs of each student.

Interest on long-term debt and fees related to long-term obligations decreased by \$0.3 million in fiscal 2013 primarily due to scheduled payments of a reduced debt profile.

Overall, in fiscal year 2013 on an accrual basis of accounting used in the government-wide financial statements, revenues of \$87.7 million exceeded expenses of \$80.3 million, thereby increasing net position by \$7.4 million. However, on the governmental fund statements, which include debt payments and expenditure items that are depreciated on an accrual basis, total expenditures of \$86.3 million are reported for an increase of \$1.4 million in total fund balance.

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
For the Year Ended June 30, 2013

Primary Operating Funds Budgetary Highlights

	2012-13 <u>Budget</u>	2012-13 <u>Actual</u>	<u>Difference</u>
REVENUE			
GENERAL FUND	\$66,999,213	\$68,644,766	\$1,645,553
OPERATIONS AND MAINTENANCE FUND	7,202,533	7,213,465	10,932
TRANSPORTATION FUND	2,599,508	2,735,837	136,329
	<u>76,801,254</u>	<u>78,594,068</u>	<u>1,792,814</u>
Less: On-behalf pension payment	(8,915,700)	(10,008,093)	(1,092,393)
	<u>\$67,885,554</u>	<u>\$68,585,975</u>	<u>\$ 700,421</u>
EXPENSE			
GENERAL FUND	\$66,586,297	\$67,827,434	(\$1,241,137)
OPERATIONS AND MAINTENANCE FUND	7,378,233	7,116,426	261,807
TRANSPORTATION FUND	2,846,763	2,475,604	371,159
	<u>76,811,293</u>	<u>77,419,464</u>	<u>(608,171)</u>
Less: On-behalf pension payment	(8,915,700)	(10,008,093)	1,092,393
	<u>67,895,593</u>	<u>67,411,371</u>	<u>484,222</u>
Less: Fund balance transfers	(183,944)	(285,188)	101,244
	<u>\$67,711,649</u>	<u>\$67,126,183</u>	<u>\$585,466</u>
BUDGET vs ACTUAL RESULTS	\$173,905	\$1,459,792	(\$1,285,887)

The District treats the General (includes Educational, Tort Immunity and Judgment, and Working Cash), Operations and Maintenance, and Transportation Funds as its primary operating funds (operating funds). The operating funds provide the resources for the District's educational programs, student transportation, and operations and maintenance of all facilities. Excluding 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 \$1.8 million, and expenditures were under budget by \$0.4 million before consideration of fund balance transfers for capital lease payments and capital projects. After consideration of these transfers, actual effective operating fund expenditures were \$0.6 million less than budgeted amounts in fiscal 2013.

The net effect after consideration of transfers was a favorable variance to the operating budget for fiscal 2013 of \$1.3 million. The ability to essentially maintain the budgeted level of expenditures related to use of expenditure controls during the year primarily in the areas of personnel and curriculum including redesigned adoptions and implementation of a more student focused use of technology. The decrease in expenditures is primarily due to the reduction of staffing positions, aggressive cost management and the postponement of capital projects.

North Shore School District 112
Management's Discussion and Analysis
For the Year Ended June 30, 2013

The combined operating fund balance of the General, Operations and Maintenance, and Transportation Funds as of June 30, 2013 was \$25.8 million. This was an increase of \$0.9 million from the previous year's balance of \$24.9 million.

Formal budgeting integration is employed as a management control device during the year for the governmental funds. 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.

2012 Equalized Assessed Value:	\$2,223,675,650
Debt Limit @ 6.9%	\$153,433,620
General Obligation Debt	<u>\$8,108,558</u>
Legal Debt Margin	<u><u>\$145,325,062</u></u>

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

North Shore School District 112
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Capital Assets

The District's investment in capital assets for its governmental activities at year-end totaled \$71.2 million, net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and building improvements, and equipment. There were \$685,148 of capital asset retirements net of \$2.9 million of accumulated depreciation and \$2.2 of capital asset additions recorded during the year. Additions include approximately \$1.1 million for new computer infrastructure and hardware and approximately \$1.1 million for building infrastructure. Depreciation charges of \$2.9 million 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 G of the notes to the financial statements.

Financial Analysis of the District's Funds

The District's governmental funds have a combined fund balance, as of June 30, 2013, of \$29.8 million. This is an increase of \$1.4 million from the June 30, 2012 fund balance of \$28.3 million. The District's objective for several years has been to have a balanced budget and favorable 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 reserve 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.

In connection with the fiscal 2014 budget the District continues to make budget adjustments to assure financial sustainability and to make sure expenditures do not exceed available revenues. Just like in fiscal 2013, the District expects fiscal 2014 to achieve a surplus with revenues over expenditures to add to the fiscal 2014 year end fund balance.

The following is a summary of the changes and major impacts on the various District funds during the 2013 fiscal year.

The *Educational Fund* (included as part of the General Fund) fund balance at June 30, 2013 was \$7.7 million. This fund showed an increase of \$0.6 million from the prior year. With increased property tax revenues and through a variety of operating adjustments and expenditure reductions, including monitoring level administrative merit based salary and certain personnel adjustments, the District was able to enhance the fund balance as well enhance the quality of student learning.

The *Operations and Maintenance Fund* had an ending fund balance of \$4.1 million as of June 30, 2013. Expenditures during the year were primarily for repairs and maintenance of aging buildings, including roof repairs at Edgewood, window replacement at Indian Trail, and pavement work district-wide.

The *Working Cash Fund* (included as part of the General Fund) fund balance at June 30, 2013 was \$12.5 million. The actual increase for the year was approximately \$0.2 million due to investment revenue. As a result, the District was able to maintain a substantial financial reserve to continue to address future financial needs and economic challenges.

**North Shore School District 112
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

The *Fire Prevention and Safety Fund* had an ending balance of \$154,394, as of June 30, 2013.

In the *Transportation Fund*, as of June 30, 2013, there remains an accumulated fund balance of \$0.8 million. The effects of the state's change in determining reimbursements and overall reduction in the same have been incorporated in future projected financial results.

The *Municipal Retirement/Social Security Fund* increased during the year with an ending fund balance of \$1.6 million, at June 30, 2013, compared to \$1.1 million at June 30, 2012. This was due to the containment of compensation growth and the reduction of staff.

The *Debt Service Fund* fund balance increased from \$2.2 million to \$2.3 million. The surplus for this fund comes primarily from interest earnings and from revenue from an additional 1% assessment factor by the Lake County Clerk to help insure that sufficient taxes are collected to meet the principal and interest obligations of District bondholders.

Initiatives

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

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

Factors Bearing on the District's Future

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

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

North Shore School District 112
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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. Various 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, windows, boilers, tile, enhanced security systems, and related asbestos abatements. An additional \$10 million of replacement debt capacity is estimated to become available in 2015 to facilitate addressing facility improvement needs. The District will continue maintaining its aged facilities in a responsible manner until there is a longer-term opportunity to rebuild them. The rebuilding process is a primary theme in the long-term strategic plan with a logic target date to consider pursuit of bond funding by potential referendum in 2014 when existing general obligation building bond obligations expire and related levy amounts could be continued and used to fund new bonds.

The District expects recent enrollment growth from its Highwood and Fort Sheridan locations to have reached a stabilized level. Although there will be annual enrollment fluctuations related to the mobility of this student population, the District believes it is manageable. In fact, recent enrollment projections suggest that near term aggregate enrollment will decrease. Administration and the Board are continually working on analyzing the growth and the impact on District facilities. Recent growth has been absorbed in existing facilities without the need for a request for additional local taxpayer funding.

The District's employment groups are under contract as follows: The current teaching staff contract expires June 30, 2014. The District's contract with educational support personnel expired June 30, 2014. A tentative agreement for a contract has been reached and once ratified, that contract will extend through June 30, 2017. The District believes the contracts are competitive with those of surrounding districts and through the negotiation of new contracts the district will strive to maintain a competitive approach with heightened sensitivity to current economic conditions.

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

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

North Shore School District 112
 STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
June 30, 2013

ASSETS

Cash and investments	\$	66,928,163
Receivables (net of allowance for uncollectibles):		
Interest		141,132
Property taxes		32,584,336
Replacement taxes		129,070
Intergovernmental		977,867
Prepaid items		353,625
Net pension asset		47,986
Deferred charges		46,965
Capital assets:		
Land		3,844,995
Depreciable buildings, property, and equipment, net		<u>67,386,244</u>
Total assets		<u>172,440,383</u>

LIABILITIES

Accounts payable		1,211,881
Salaries and wages payable		3,999,494
Compensated absences		48,156
Payroll deductions payable		77,064
Claims payable		244,048
Interest payable		125,927
Unearned revenue		62,544,540
Long-term liabilities:		
Due within one year		3,209,909
Due after one year		<u>4,649,074</u>
Total liabilities		<u>76,110,093</u>

NET POSITION

Invested in capital assets, net of related debt		63,122,681
Restricted For:		
Operations and maintenance		4,071,621
Debt service		2,137,013
Student transportation		849,696
Retirement benefits		1,592,970
Tort immunity		625,757
Capital projects		154,394
Unrestricted		<u>23,776,158</u>
Total net position	\$	<u>96,330,290</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, 2013

Functions / Programs	Expenses	PROGRAM REVENUES		Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction:				
Regular programs	\$ 23,352,715	\$ 672,824	\$ 838,148	\$ (21,841,743)
Special programs	12,521,987	-	3,175,049	(9,346,938)
Other instructional programs	5,298,953	51,413	318,105	(4,929,435)
State retirement contributions	10,008,093	-	10,008,093	-
Support services:				
Pupils	4,020,115	-	-	(4,020,115)
Instructional staff	4,541,275	-	124,531	(4,416,744)
General administration	1,409,685	-	-	(1,409,685)
School administration	3,269,095	-	-	(3,269,095)
Business	2,366,492	101,509	366,409	(1,898,574)
Transportation	2,492,615	26,325	690,014	(1,776,276)
Operations and maintenance	7,342,641	162,261	-	(7,180,380)
Central	2,987,918	-	-	(2,987,918)
Other supporting services	83,705	-	-	(83,705)
Community services	20,061	-	-	(20,061)
Interest on long-term debt	569,191	-	-	(569,191)
	<u>\$ 80,284,541</u>	<u>\$ 1,014,332</u>	<u>\$ 15,520,349</u>	<u>(63,749,860)</u>
Total governmental activities				
General revenues:				
Taxes:				
Real estate taxes, levied for general purposes				51,107,796
Real estate taxes, levied for specific purposes				10,505,817
Real estate taxes, levied for debt service				5,580,599
Personal property replacement taxes				668,843
State aid-formula grants				1,161,746
Grants and contributions not restricted				
to specific programs				649,910
Investment earnings				273,817
Miscellaneous				1,225,287
Total general revenues				<u>71,173,815</u>
Change in net position				7,423,955
Net position, beginning of year				<u>88,906,335</u>
Net position, end of year				<u>\$ 96,330,290</u>

The accompanying notes are an integral part of this statement.

North Shore School District 112

Governmental Funds

BALANCE SHEET

June 30, 2013

	General	Operations and Maintenance	Transportation	Municipal Retirement / Soc. Sec.
ASSETS				
Cash and investments	\$ 51,489,594	\$ 7,640,875	\$ 1,689,441	\$ 2,346,663
Receivables (net of allowance for uncollectibles):				
Interest	107,521	16,721	3,533	5,291
Property taxes	25,928,624	3,338,875	947,667	771,359
Replacement taxes	-	12,906	20,651	95,513
Intergovernmental	805,339	-	172,528	-
Prepaid Items	<u>82,219</u>	<u>11,549</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 78,413,297</u>	<u>\$ 11,020,926</u>	<u>\$ 2,833,820</u>	<u>\$ 3,218,826</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 905,276	\$ 224,880	\$ 81,325	\$ -
Salaries and wages payable	3,999,494	-	-	-
Compensated absences	43,072	5,084	-	-
Payroll deductions payable	-	-	-	77,064
Claims payable	244,048	-	-	-
Deferred revenue	<u>52,352,825</u>	<u>6,719,341</u>	<u>1,914,130</u>	<u>1,553,631</u>
Total liabilities	<u>57,544,715</u>	<u>6,949,305</u>	<u>1,995,455</u>	<u>1,630,695</u>
Fund balances:				
Nonspendable	82,219	11,549	-	-
Restricted	625,757	2,272,653	219,464	1,588,131
Assigned	14,398,654	1,787,419	618,901	-
Unassigned	<u>5,761,952</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>20,868,582</u>	<u>4,071,621</u>	<u>838,365</u>	<u>1,588,131</u>
Total liabilities and fund balance	<u>\$ 78,413,297</u>	<u>\$ 11,020,926</u>	<u>\$ 2,833,820</u>	<u>\$ 3,218,826</u>

The accompanying notes are an integral part of this statement.

Debt Service	Fire Prevention and Safety	Total
\$ 2,907,635	\$ 853,955	\$ 66,928,163
6,555	1,511	141,132
903,590	694,221	32,584,336
-	-	129,070
-	-	977,867
<u>259,857</u>	<u>-</u>	<u>353,625</u>
<u>\$ 4,077,637</u>	<u>\$ 1,549,687</u>	<u>\$ 101,114,193</u>
\$ 400	\$ -	\$ 1,211,881
-	-	3,999,494
-	-	48,156
-	-	77,064
-	-	244,048
<u>1,820,292</u>	<u>1,395,293</u>	<u>65,755,512</u>
<u>1,820,692</u>	<u>1,395,293</u>	<u>71,336,155</u>
259,857	-	353,625
1,997,088	154,394	6,857,487
-	-	16,804,974
<u>-</u>	<u>-</u>	<u>5,761,952</u>
<u>2,256,945</u>	<u>154,394</u>	<u>29,778,038</u>
<u>\$ 4,077,637</u>	<u>\$ 1,549,687</u>	<u>\$ 101,114,193</u>

North Shore School District 112
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
For the Year Ended June 30, 2013

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

Total fund balances - governmental funds.	\$ 29,778,038
Net capital assets used in governmental activities and included in the statement of net position do not require the expenditure of financial resources and, therefore, are not reported in the governmental funds balance sheet.	71,231,239
Certain revenue receivables of the District are recognized in the statement of net position do not provide current financial resources and are deferred in the governmental funds balance sheet.	3,210,972
Interest on long-term liabilities (interest payable) accrued in the statement of net position will not be paid with current financial resources and, therefore, is not recognized in the governmental funds balance sheet.	(125,927)
Long-term assets included in the statement of net position are not collectible within the current period or soon enough thereafter to pay liabilities of the current period. Long-term liabilities included in the statement of net position are not due and payable in the current period and, accordingly, are not included in the governmental funds balance sheet.	<u>(7,764,032)</u>
Net position of governmental activities	<u>\$ 96,330,290</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, 2013

	General	Operations and Maintenance	Transportation	Municipal Retirement / Soc. Sec.
Revenues				
Property taxes	\$ 49,950,952	\$ 6,749,826	\$ 1,907,897	\$ 1,574,015
Replacement taxes	-	66,883	107,015	494,945
State aid	13,872,211	-	690,014	-
Federal aid	2,769,780	-	-	-
Interest	227,986	24,218	4,586	6,123
Other	<u>1,823,837</u>	<u>372,538</u>	<u>26,325</u>	<u>-</u>
Total revenues	<u>68,644,766</u>	<u>7,213,465</u>	<u>2,735,837</u>	<u>2,075,083</u>
Expenditures				
Current:				
Instruction:				
Regular programs	22,211,372	-	-	299,916
Special programs	8,862,214	-	-	362,587
Other instructional programs	5,527,769	-	-	119,793
State retirement contributions	10,008,093	-	-	-
Support services:				
Pupils	3,474,940	-	-	123,837
Instructional staff	3,895,126	-	-	114,645
General administration	1,381,589	-	-	26,293
School administration	3,119,801	-	-	147,769
Business	1,242,793	-	-	108,837
Transportation	-	-	2,472,592	17,011
Operations and maintenance	343	5,973,260	-	225,872
Central	2,914,480	-	-	66,403
Other supporting services	83,449	-	-	256
Community services	19,860	-	-	201
Nonprogrammed charges	2,925,373	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other	-	-	-	-
Capital outlay	<u>2,160,232</u>	<u>1,143,166</u>	<u>3,012</u>	<u>-</u>
Total expenditures	<u>67,827,434</u>	<u>7,116,426</u>	<u>2,475,604</u>	<u>1,613,420</u>
Excess (deficiency) of revenues over expenditures	<u>817,332</u>	<u>97,039</u>	<u>260,233</u>	<u>461,663</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers (out)	<u>(251,938)</u>	<u>(33,250)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(251,938)</u>	<u>(33,250)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	565,394	63,789	260,233	461,663
Fund balance, beginning of year	<u>20,303,188</u>	<u>4,007,832</u>	<u>578,132</u>	<u>1,126,468</u>
Fund balance, end of year	<u>\$ 20,868,582</u>	<u>\$ 4,071,621</u>	<u>\$ 838,365</u>	<u>\$ 1,588,131</u>

The accompanying notes are an integral part of this statement.

Debt Service	Fire Prevention and Safety	Total
\$ 5,580,599	\$ 1,430,923	\$ 67,194,212
-	-	668,843
-	-	14,562,225
-	-	2,769,780
9,729	1,175	273,817
-	-	2,222,700
<u>5,590,328</u>	<u>1,432,098</u>	<u>87,691,577</u>
-	-	22,511,288
-	-	9,224,801
-	-	5,647,562
-	-	10,008,093
-	-	3,598,777
-	-	4,009,771
-	-	1,407,882
-	-	3,267,570
-	-	1,351,630
-	-	2,489,603
-	-	6,199,475
-	-	2,980,883
-	-	83,705
-	-	20,061
-	-	2,925,373
6,687,036	-	6,687,036
533,970	-	533,970
-	-	3,306,410
<u>7,221,006</u>	<u>-</u>	<u>86,253,890</u>
<u>(1,630,678)</u>	<u>1,432,098</u>	<u>1,437,687</u>
1,703,788	-	1,703,788
-	(1,418,600)	(1,703,788)
<u>1,703,788</u>	<u>(1,418,600)</u>	<u>-</u>
73,110	13,498	1,437,687
<u>2,183,835</u>	<u>140,896</u>	<u>28,340,351</u>
<u>\$ 2,256,945</u>	<u>\$ 154,394</u>	<u>\$ 29,778,038</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, 2013

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

Net change in fund balances - total governmental funds	\$ 1,437,687
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.	(643,733)
Certain revenues included in the statement of activities do not provide current financial resources and, therefore, are deferred in the fund statements.	(87,465)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	<u>6,717,466</u>
Change in net position of governmental activities	<u>\$ 7,423,955</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, 2013

	Student Activity Fund
<hr/>	
ASSETS	
Cash and investments	\$ <u>235,854</u>
LIABILITIES	
Due to student groups	\$ <u>235,854</u>

The accompanying notes are an integral part of this statement.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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. New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), which was adopted by the District, as of the fiscal year ended June 30, 2013. In the government-wide financial statements, the District is now required to report five elements on the statement of net position (formerly known as the statement of net assets), assets, deferred outflow of resources, liabilities, deferred inflows of resources, and net position (formerly known as net assets). The types of deferred outflows and inflows of resources to be reported currently consist of service concession arrangements and derivative instruments. As of June 30, 2013, the District has no deferred outflows or deferred inflows of resources.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 Fund), and the acquisition or construction of major capital facilities (Capital Projects Fund). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

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

4. Government-Wide and Fund Financial Statements

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

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

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

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

a. General Fund

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

b. Special Revenue Funds

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

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 - accounts for all revenues and expenditures made for operations, repair, and maintenance of the District's building and land. Revenues consist primarily of local property taxes.

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

Municipal Retirement/Social Security Fund - accounts for the District's portion of pension contributions to the Illinois Municipal Retirement Fund, payments to Medicare, and payments to the Social Security System for noncertified employees. Revenues 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, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 Fund

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 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.

5. 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. 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, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. 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, as are the agency fund statements. 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.

6. 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.

7. Deposits and Investments

Investments are stated at fair value. Due to the nature of the District's investments, fair value equals cost. No amortization is made to interest income for discounted federal securities. Gains and losses on the sale of investments are recorded as interest income at the date of sale or maturity.

8. 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, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Capital Assets

Capital assets, which include land, land improvements, buildings and building improvements, and furniture, equipment and vehicles 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

10. Prepaid Items

Prepaid items 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 position.

11. Compensated Absences

The District reports compensated absences in accordance with the provisions of the Governmental Accounting Standards Board, *Codification of Governmental Accounting and Financial Reporting Standards*. 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 position.

Employees who work a twelve-month year are entitled to be compensated for vacation time. Employees have six months to use their vacation time after it is earned or allotted. Unused vacation time may not be accumulated.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Long-Term Obligations

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, losses on refunding, and 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 cost and losses on refunding are reported as debt service expenditures.

13. Restricted Net Position

For the government-wide financial statements, net position reported as restricted when constraints placed on net position 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 position was 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.

15. Fund Balance

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

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Fund Balance (Continued)

- a. *Nonspendable* - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The nonspendable in form criteria includes items that are not expected to be converted to cash such as prepaid items or inventories.
- b. *Restricted* - refers to amounts that are subject to outside restrictions such as creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through enabling legislation. Special revenue funds are by definition restricted for those specified purposes.
- c. *Committed* - refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (the Board of Education). The Board of Education commits fund balances by passing a resolution. Amounts committed cannot be used for any purpose unless the District removes or changes the specific use by taking the same type of formal action it employed to previously commit those funds. At June 30, 2013, the District had no committed fund balances.
- d. *Assigned* - refers to amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted or committed. Intent may be expressed by the Board of Education or the individual the Board of Education delegates the authority to assign amounts to be used for specific purposes. The Board of Education delegated this authority to the Superintendent.
- e. *Unassigned* - refers to all spendable amounts not contained in the other four classifications described above. In funds other than the general fund, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

North Shore School District 112
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Fund Balance (Continued)

Governmental fund balances reported on the fund financial statements at June 30, 2013 are as follows:

The nonspendable fund balance in the General, Operations and Maintenance, and Debt Service Fund consists of \$82,919, \$11,549, and \$259,857, respectively for prepaid items. The remaining restricted fund balances are for the purpose of the restricted funds as described in Note A-4.

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

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 Position

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

General obligation bonds	\$ (7,850,000)
Debt certificates	(70,000)
Capital leases	(188,558)
Compensated absences	(76,351)
Other postemployment asset	47,986
Deferred charges and unamortized charges	<u>372,891</u>
 Net adjustment to reduce fund balance total governmental funds to arrive at net position of governmental activities	 <u><u>\$ (7,764,032)</u></u>

North Shore School District 112
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

(Continued)

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

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 position - 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	\$ 2,243,402
Gain on disposal of assets	(5,588)
Depreciation expense	<u>(2,881,547)</u>
 Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	 \$ <u><u>(643,733)</u></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	\$ 6,420,000
Debt certificates	30,000
Capital leases	237,036
Deferred charges and unamortized premium	(34,714)
Interest payable	38,850
Compensated absences (net)	38,733
Other postemployment benefits (net)	<u>(12,439)</u>
 Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net position - governmental activities	 \$ <u><u>6,717,466</u></u>

North Shore School District 112
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE C - DEPOSITS AND INVESTMENTS

The District's investment policy is in line with State Statutes. The investments that the District may purchase are limited by Illinois law to the following: (1) securities that are fully guaranteed by the U.S. government as to principal and interest; (2) certain U.S. government agency securities; (3) interest-bearing savings accounts, interest-bearing certificates of deposit or time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; (4) short-term discount obligations of corporations organized in the United States with assets exceeding \$500,000,000; (5) interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation or school district; (6) fully collateralized repurchase agreements; (7) the State Treasurer's Illinois and Prime Funds; and (8) money market mutual funds and certain other instruments.

At June 30, 2013, the District's cash and investments consisted of the following:

	<u>Governmental</u>	<u>Fiduciary</u>	<u>Total</u>
Cash and investments	\$ <u>66,928,163</u>	\$ <u>235,854</u>	\$ <u>67,164,017</u>

For disclosure purposes, this amount is segregated into the following components: 1) cash on hand; 2) deposits with financial institutions, which include amounts held in demand accounts, savings accounts, and nonnegotiable certificates of deposit; 3) The Illinois Funds; 4) Illinois School District Liquid Asset Fund Plus; and 5) other investments, as follows:

	<u>Total</u>
Cash on hand	\$ 1,400
Deposits with financial institutions	62,924,379
The Illinois Funds	176,040
Illinois School District Liquid Asset	415,498
Other investments	<u>3,646,700</u>
	<u>\$ 67,164,017</u>

North Shore School District 112
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2013, the District had the following other investments which consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Percentage of Total</u>
U.S. Government - FICO Strips	\$ 2,580,309	Various	70.8%
U.S. Treasury Notes	<u>1,066,391</u>	Various	<u>29.2%</u>
	<u>\$ 3,646,700</u>		<u>100.0%</u>

1. Interest Rate Risk

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

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.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

3. Cash and Investments in the Custody of the District

At June 30, 2013, the carrying value of the District's student activity funds was \$235,854, all of which was deposited with financial institutions.

4. Concentration of Credit Risk

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

5. Custodial Credit Risk

With respect to deposits, custodial credit risk is the risk that, in the event of a bank failure, the District'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, 2013, the bank balance of the District's deposits with financial institutions totaled \$72,005,730, all of which was collateralized or insured as of June 30, 2013.

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

NOTE D - PROPERTY TAXES RECEIVABLE

The District must file its tax levy resolution by the last Tuesday in December of each year. The tax levy resolution was approved by the Board on December 18, 2012. 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).

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE D - PROPERTY TAXES RECEIVABLE (Continued)

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 District 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 2012 tax levy was \$2,223,675,650.

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 portion of the 2012 property tax levy not received by June 30 is recorded as receivable, net of estimated uncollectible amounts of approximately 0.5%. The District considers that the 2012 levy is to be used to finance operations in fiscal 2014. Therefore, the entire 2012 levy, including amounts collected in fiscal 2013, has been recognized as deferred revenue, in the accompanying financial statements.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

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, 2013, state of Illinois contributions were based on 28.05 percent of creditable earnings not paid from federal funds, and the District recognized revenue and expenditures of \$9,688,978 in pension contributions that the state of Illinois paid directly to TRS. For the years ended June 30, 2012 and June 30, 2011, the state of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 24.91 percent, \$8,765,067 and 23.10 percent, \$7,909,594 respectively.

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

2.2 Formula Contributions

Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2013 were \$201,181. Contributions for the years ended June 30, 2012 and June 30, 2011, were \$205,115 and \$198,596, respectively.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

For the year ended June 30, 2013, the employer pension contribution was 28.05 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2012 and 2011, the employer contribution was 24.91 and 23.10 percent, respectively, of salaries paid from federal and special trust funds. For the year ended June 30, 2013, salaries totaling \$144,559 were paid from federal and special trust funds that required employer contributions of \$40,549. For the years ended June 30, 2012 and June 30, 2011, required District contributions were \$44,257 and \$28,098, respectively.

Early Retirement Option (ERO)

The District is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member.

The maximum employer ERO contribution under the current program is 117.5 percent and applies when the member is age 55 at retirement.

For the year ended June 30, 2013, the District paid \$66,401 to TRS for employer contributions under the ERO program. For the years ended June 30, 2012 and June 30, 2011, the District paid \$0 and \$118,437, respectively, in employer ERO contributions.

Salary Increased Over 6 percent and Excess Sick Leave

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

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE E - RETIREMENT FUND COMMITMENTS (Continued)

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

For the year ended June 30, 2013, the District paid \$5,342 to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2012 and June 30, 2011, the District paid \$15,031 and \$1,069, respectively, to TRS for employer contributions due on salary increases in excess of 6 percent.

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

For the year ended June 30, 2013, the District paid \$0 to TRS for sick leave days granted in excess of the normal annual allotment. For the years ended June 30, 2012 and June 30, 2011, the District paid \$0 and \$0, respectively, in employer contributions granted for sick leave days.

Further Information on TRS

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer, and state funding requirements can be found in the TRS Comprehensive Annual Financial Report for the year ended June 30, 2012. The report for the year ended June 30, 2013 is expected to be available in late 2013.

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

THIS Fund Employer Contributions

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

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE E - RETIREMENT FUND COMMITMENTS (Continued)

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

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Fund and amendments to the plan can be made only by legislative action, with the Governor's approval. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to 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 not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

On-behalf Contributions to the THIS Fund

The state of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to the THIS Fund from active members, which were 0.92 percent of pay during the year ended June 30, 2013. State of Illinois contributions were \$319,115, 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, 2012 and June 30, 2011 were 0.88 percent of pay, both years. State contributions on behalf of District employees were \$311,209 and \$301,318, respectively.

Employer Contributions to the THIS Fund

The District also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.69 percent during the years ended June 30, 2013 and 0.66 percent during the years ended June 30, 2012 and June 30, 2011. For the year ended June 30, 2013, the District paid \$239,336 to the THIS Fund. For the years ended June 30, 2012 and June 30, 2011, the District paid \$233,406 and \$225,988, respectively, to the THIS Fund, which was 100 percent of the required contribution.

Further Information on the THIS Fund

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The 2013 report is listed under "Central Management Services." Prior reports are available under "Healthcare and Family Services."

North Shore School District 112
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE E - RETIREMENT FUND COMMITMENTS (Continued)

2. Illinois Municipal Retirement Fund

Plan Description

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

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 contribution rate for calendar year 2012 used by the District was 12.25 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.

Annual Pension Cost

The required contribution for fiscal year 2013 was \$778,923.

Trend Information					
Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation		
06/30/13	\$ 778,923	100%	\$	-	
06/30/12	731,797	100%		-	
06/30/11	738,018	100%		-	

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE E - RETIREMENT FUND COMMITMENTS (Continued)

2. Illinois Municipal Retirement Fund (Continued)

The required contribution for 2012 was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010 included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10 percent per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3 percent annually. The actuarial value of the District's regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20 percent corridor between the actuarial value and market value of assets. The District's regular plan's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the regular plan was 70.22 percent funded. The actuarial accrued liability for benefits was \$13,849,921 and the actuarial value of assets was \$9,726,003, resulting in an underfunded actuarial accrued liability (UAAL) of \$4,123,918. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$6,081,355 and the ratio of the UAAL to the covered payroll was 68 percent.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

3. Social Security/Medicare

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

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE F - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Funding Policy

Retirees under the age of 65 contribute the full Consolidated Omnibus Budget Reconciliation Act (COBRA) equivalent rate. The contributions required by the District are negotiated between the District and union representatives. For fiscal year 2013, the District contributed \$45,004 toward the cost of the postemployment benefits for retirees.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table 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 asset to the Retiree Health Plan:

North Shore School District 112
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE F - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

		<u>June 30,</u> <u>2013</u>
Annual required contribution	\$	32,802
Interest on net OPEB obligation		(1,422)
Adjustment to annual required		<u>1,185</u>
Annual OPEB cost		32,565
Contributions made		<u>45,004</u>
Increase in net OPEB asset		(12,439)
Net OPEB asset beginning of year		<u>(35,547)</u>
Net OPEB asset end of year	\$	<u><u>(47,986)</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for fiscal year 2013 and the two preceding fiscal years were as follows:

	Actuarial Valuation Date		Annual OPEB Cost	Percentage Annual OPEB Cost Contributed		Net OPEB Asset
	6/30/11	\$	34,366	131%	\$	(23,345)
	6/30/12*		32,802	137%		(35,547)
	6/30/13		32,565	138%		(47,986)

NA - not available

*Annual OPEB cost estimated using ARC from most recent valuation information.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE F - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Status and Funding Progress

As of June 30, 2013, the actuarial accrued liability for benefits was \$497,762, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the unfunded actuarial accrued liability to the covered payroll was not available.

The projection of future benefit payments for an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

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

North Shore School District 112
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE F - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Methods and Assumptions (Continued)

The following simplifying assumptions were made:

Contribution rates:	
District	Not applicable
Plan members	0.00%
Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization period	Level percentage of pay, Open
Remaining amortization period	30 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return*	4.00%
Projected salary	4.00%
Healthcare inflation	8.00% initial, 6.00% ultimate (0.5% reduction per year)
Mortality, Turnover, Disability, Retirement ages	Similar rate utilized for IMRF
Percentage of active employees assumed to elect	20%
Employer provided benefit	Explicit (eligible retirees only): 100% of premiums to age 65 Implicit: 40% of premium to age 65 (50% of \$820/mo + 50% of \$2,228/ mo)

*Includes inflation at 3.00%

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE G - CAPITAL ASSETS

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

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
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	1,191,776	-	-	1,191,776
Buildings and building improvements	93,258,817	882,009	89,976	94,050,850
Furniture, equipment, and vehicles	<u>12,585,013</u>	<u>1,361,393</u>	<u>595,172</u>	<u>13,351,234</u>
Total capital assets being depreciated	<u>107,035,606</u>	<u>2,243,402</u>	<u>685,148</u>	<u>108,593,860</u>
Less accumulated depreciation for:				
Land improvements	920,644	25,037	-	945,681
Buildings and building improvements	30,435,279	1,637,064	89,976	31,982,367
Furniture, equipment, and vehicles	<u>7,649,706</u>	<u>1,219,446</u>	<u>589,584</u>	<u>8,279,568</u>
Total accumulated depreciation	<u>39,005,629</u>	<u>2,881,547</u>	<u>679,560</u>	<u>41,207,616</u>
Total capital assets being depreciated, net	<u>68,029,977</u>	<u>(638,145)</u>	<u>5,588</u>	<u>67,386,244</u>
Governmental activities capital assets, net	<u>\$ 71,874,972</u>	<u>\$ (638,145)</u>	<u>\$ 5,588</u>	<u>\$ 71,231,239</u>

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE G - CAPITAL ASSETS (Continued)

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

Governmental activities		
General Government		
Instructional Services		
Regular programs	\$	802,694
Special programs		23,204
Support Services		
Instructional staff		421,338
District administration		1,803
School administration		1,525
Business		3,155
Operations and maintenance		1,611,951
Transportation		2,791
Food		6,051
Central		<u>7,035</u>
	\$	<u><u>2,881,547</u></u>

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE H - LONG-TERM LIABILITIES

During the year ended June 30, 2013, the following is the long-term liability activity for the District:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due within one year
Bonds payable:					
General obligation	\$ 14,270,000	\$ -	\$ 6,420,000	\$ 7,850,000	\$ 2,910,000
Debt certificates	100,000	-	30,000	70,000	35,000
Less deferred charges					
Deferred charge on refunding	(596,492)	-	(119,300)	(477,192)	-
Add unamortized premium	235,852	-	84,586	151,266	-
Compensated absences	37,618	417,154	378,421	76,351	76,351
Capital leases	425,594	-	237,036	188,558	188,558
	<u>14,472,572</u>	<u>417,154</u>	<u>7,030,743</u>	<u>7,858,983</u>	<u>3,209,909</u>
Total long-term liabilities governmental activities	\$ <u>14,472,572</u>	\$ <u>417,154</u>	\$ <u>7,030,743</u>	\$ <u>7,858,983</u>	\$ <u>3,209,909</u>

North Shore School District 112
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE H - LONG-TERM LIABILITIES (Continued)

1. General Obligation Bonds

The summary of activity in bonds payable for the year ended June 30, 2013 is as follows:

	Bonds Payable July 1, 2012	Debt Issued	Debt Retired	Bonds Payable June 30, 2013
\$20,900,000 Refunding Bonds, dated July 1, 2002, due in June 2014, interest at 2.0% to 5.75%.	\$ 7,055,000	\$ -	\$ 5,290,000	\$ 1,765,000
\$9,865,000 Life and Safety Bonds, May 5, 2005, due in June 2018, interest at 3.0% to 4.0%.	7,215,000	-	1,130,000	6,085,000
Total	\$ 14,270,000	\$ -	\$ 6,420,000	\$ 7,850,000

At June 30, 2013, the District's future cash flow requirements for retirement of bond principal and interest were as follows:

	Year Ending June 30	Principal	Interest	Total
2014	\$ 2,910,000	\$ 280,465	\$ 3,190,465	
2015	1,205,000	197,600	1,402,600	
2016	1,300,000	149,400	1,449,400	
2017	1,405,000	97,400	1,502,400	
2018	1,030,000	41,200	1,071,200	
Total	\$ 7,850,000	\$ 766,065	\$ 8,616,065	

North Shore School District 112
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE H - 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 \$2,256,945 in the Debt Service Fund to service the outstanding bonds payable.

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, 2013, the statutory debt limit for the District was \$153,433,620 of which \$145,325,062 is fully available.

2. Debt Certificates

The summary of activity in debt certificates for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Debt Issued	Debt Retired	Balance June 30, 2013
\$300,000 General Obligation Limited Tax Debt Certificates, dated November 1, 2004, due in June 2015, interest at 3.25%.	\$ <u>100,000</u>	\$ <u>-</u>	\$ <u>30,000</u>	\$ <u>70,000</u>

At June 30, 2013, the District's future cash flow requirements for retirement of debt certificate principal and interest were as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 35,000	\$ 2,275	\$ 37,275
2015	35,000	1,138	36,138
	\$ 70,000	\$ 3,413	\$ 73,413

The obligations for the debt certificates will be repaid from the Debt Service Fund with funding provided by the Operations and Maintenance Fund.

North Shore School District 112
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE H - LONG-TERM LIABILITIES (Continued)

3. Capital Leases

The District currently has several lease agreements with American Capital Financial Services and one lease agreement with Xerox Corporation for financing the acquisitions of computers and printers. At June 30, 2013, \$188,558 of the amounts included in capital assets were acquired via capital leases for computers and copiers. The leases require monthly installment payments for sixty consecutive months. The obligations for these loans will be repaid from the Debt Service Fund with funding provided by the General (Educational) Fund.

At June 30, 2013, the District's future cash flow requirements for retirement of leases payable principal and interest were as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ <u>188,558</u>	\$ <u>5,920</u>	\$ <u>194,478</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 position.

NOTE I - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. 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. Settlements have not exceeded coverages for each of the past three fiscal years.

North Shore School District 112
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE J - RISK MANAGEMENT (Continued)

The District continues to carry commercial insurance for all other risks of loss, including torts and professional liability insurance. Settled claims have not exceeded commercial insurance coverage for the past three fiscal years.

NOTE 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. Total claims paid during the year ended June 30, 2013 were \$5,674,464 and \$360,143, 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, 2013, liabilities of \$188,457 for health and \$55,591 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		Dental Insurance Claims	
	Payable		Payable	
	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Unpaid claims, beginning of fiscal year	\$ 292,849	\$ 468,527	\$ 49,151	\$ 41,078
Incurred claims (including IBNRs)	5,871,176	5,394,393	369,710	374,656
Claim payments	<u>(5,695,498)</u>	<u>(5,674,464)</u>	<u>(377,783)</u>	<u>(360,143)</u>
Unpaid claims, end of fiscal year	<u>\$ 468,527</u>	<u>\$ 188,457</u>	<u>\$ 41,078</u>	<u>\$ 55,591</u>

North Shore School District 112
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE L - INTERFUND TRANSFERS

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

The following is a schedule of interfund transfers:

<u>To</u>	<u>From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Debt Service Fund	General Fund	\$ 251,938	Principal and interest payment for capital leases
Debt Service Fund	Operation and Maintenance Fund	33,250	Principal and interest payment for 2004 Debt Certificates
Debt Service Fund	Fire Prevention and Safety Fund	1,418,600	Permanent transfer for excess accumulated fire prevention and safety bond proceeds and interest earnings

NOTE M - JOINT AGREEMENTS

The District is a member of the North Suburban Special Education District (NSSED), 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 - CONSTRUCTION COMMITMENTS

As of June 30, 2013, the District is committed to approximately \$256,000 in expenditures in the upcoming year for construction projects. These expenditures will be paid through the available fund balances.

North Shore School District 112
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE O - CONTINGENCIES

1. Litigation

The District is not involved in any significant litigation that would materially affect the balances reported at June 30, 2013. 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 P - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 6, 2013 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, 2013

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll [(2)-(1)]/(5)
12/31/12	\$ 9,726,003	\$ 13,849,921	70.22 %	\$ 4,123,918	\$ 6,081,355	67.81 %
12/31/11	8,925,116	13,618,480	65.54	4,693,364	6,232,678	75.30
12/31/10	8,010,596	12,579,866	63.68	4,569,270	6,182,915	73.90

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$10,213,522. On a market basis, the funded ratio would be 73.74%

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with North Shore School District No. 112. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

North Shore School District 112
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
June 30, 2013

Actuarial Valuation Date	(1) Actuarial Value of Assets (1)	(2) Actuarial Accrued Liability (AAL) -Entry Age (2)	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll [(2)-(1)]/(5)
06/30/13	\$ -	\$ 497,762	-	% \$ 497,762	\$ N/A	N/A %
06/30/12	-	344,496	-	344,496	N/A	N/A
06/30/11	-	344,496	-	344,496	N/A	N/A

N/A - not available

North Shore School District 112

General Fund

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance From Final Budget	2012 Actual
	Original and Final Budget	Actual		
Revenues				
Local sources				
General levy	\$ 49,748,288	\$ 49,402,431	\$ (345,857)	\$ 49,487,147
Special education levy	-	548,521	548,521	549,455
Corporate personal property				
Summer school tuition from pupils or parents	30,000	34,494	4,494	39,605
Interest on investments	229,244	227,986	(1,258)	226,641
Sales to pupils - lunch	118,000	101,509	(16,491)	118,296
Contributions and donations from private sources	82,700	73,423	(9,277)	100,927
Refund of prior years' expenditures	5,000	2,864	(2,136)	66,187
Local fees	682,500	672,824	(9,676)	691,713
Other	986,000	938,723	(47,277)	1,059,823
Total local sources	51,881,732	52,002,775	121,043	52,339,794
State sources				
General State Aid	1,122,432	1,161,746	39,314	1,181,508
Special Education - Private Facility Tuition	291,244	222,670	(68,574)	281,138
Special Education - Extraordinary	601,832	537,288	(64,544)	592,427
Special Education - Personnel	1,200,635	1,286,079	85,444	1,269,887
Special Education - Orphanage - Individual	6,968	(10,932)	(17,900)	69,301
Special Education - Orphanage - Summer Individual	5,097	-	(5,097)	5,097
Special Education - Summer School	7,354	6,524	(830)	7,354
Bilingual Ed. - Downstate - T.P.I. and T.P.E.	313,535	240,536	(72,999)	164,604
State Free Lunch and Breakfast	8,566	8,856	290	18,136
Early Childhood - Block Grant	427,927	404,785	(23,142)	465,340
Other state sources	3,000	6,566	3,566	9,920
On Behalf Payments to TRS from the State	8,915,700	10,008,093	1,092,393	9,076,276
Total state sources	12,904,290	13,872,211	967,921	13,140,988

(Continued)

North Shore School District 112

General Fund

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance From Final Budget	2012 Actual
	Original and Final Budget	Actual		
Federal sources				
Federal Impact Aid	\$ 275,000	\$ 649,910	\$ 374,910	\$ 344,758
National School Lunch Program	126,218	227,896	101,678	227,396
Special Milk Program	17,936	27,935	9,999	32,172
Special Breakfast Program	30,515	80,454	49,939	81,342
Food Service - Other	24,733	21,268	(3,465)	31,017
Title I - Low Income	473,384	433,363	(40,021)	437,424
Safe and Drug Free Schools - Form. (Title IV)	-	-	-	(351)
Fed. - Sp. Ed. - Pre-School Flow Through	25,003	25,003	-	-
Fed. - Sp. Ed. - I.D.E.A. - Flow Through	634,711	639,492	4,781	553,179
Fed. - Sp. Ed. - I.D.E.A. - Room and Board	253,013	255,496	2,483	391,714
Other ARRA Funds - XI	-	-	-	1,602
Title III - English Language Acquisition	105,150	77,569	(27,581)	133,190
Learn and Serve America	-	-	-	14,000
Title II - Teacher Quality	118,070	117,965	(105)	114,925
Medicaid Matching Funds - Administrative Outreach	68,915	82,590	13,675	45,917
Medicaid Matching Funds - Fee-For-Service-Program	<u>60,543</u>	<u>130,839</u>	<u>70,296</u>	<u>180,073</u>
Total federal sources	<u>2,213,191</u>	<u>2,769,780</u>	<u>556,589</u>	<u>2,588,358</u>
Total revenues	<u>66,999,213</u>	<u>68,644,766</u>	<u>1,645,553</u>	<u>68,069,140</u>

(Continued)

North Shore School District 112

General Fund

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance From Final Budget	2012 Actual
	Original and Final Budget	Actual		
Expenditures				
Instruction				
Regular programs				
Salaries	\$ 19,145,399	\$ 19,163,343	\$ (17,944)	\$ 19,431,473
Employee benefits	3,160,802	2,223,391	937,411	3,762,875
On-behalf payments to TRS from the state	8,915,700	10,008,093	(1,092,393)	9,076,276
Purchased services	462,301	319,738	142,563	342,976
Supplies and materials	483,213	504,900	(21,687)	463,298
Capital outlay	120,708	35,794	84,914	242,598
Total	32,288,123	32,255,259	32,864	33,319,496
Special education programs				
Salaries	5,910,686	5,828,573	82,113	6,447,461
Employee benefits	1,581,915	1,056,343	525,572	1,358,919
Purchased services	54,034	45,475	8,559	44,240
Supplies and materials	112,781	97,100	15,681	113,449
Capital outlay	38,725	34,017	4,708	28,346
Other objects	540	563	(23)	-
Total	7,698,681	7,062,071	636,610	7,992,415
Special education programs pre-K				
Salaries	187,469	340,459	(152,990)	424,449
Employee benefits	40,609	29,094	11,515	78,727
Purchased services	2,150	-	2,150	210
Supplies and materials	6,500	5,098	1,402	2,936
Capital outlay	866	-	866	-
Total	237,594	374,651	(137,057)	506,322

(Continued)

North Shore School District 112

General Fund

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance From Final Budget	2012 Actual
	Original and Final Budget	Actual		
Remedial and Supplemental programs K-12				
Salaries	\$ 885,919	\$ 789,351	\$ 96,568	\$ 662,162
Employee benefits	<u>121,705</u>	<u>80,559</u>	<u>41,146</u>	<u>130,683</u>
Total	<u>1,007,624</u>	<u>869,910</u>	<u>137,714</u>	<u>792,845</u>
Remedial and Support programs pre-K				
Salaries	421,903	407,109	14,794	400,685
Employee benefits	123,199	81,185	42,014	11,963
Purchased services	4,262	6,111	(1,849)	13,249
Supplies and materials	-	8,860	(8,860)	10,252
Capital outlay	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>637</u>
Total	<u>551,364</u>	<u>503,265</u>	<u>48,099</u>	<u>436,786</u>
Summer school programs				
Salaries	127,080	121,909	5,171	126,060
Employee benefits	15,656	12,725	2,931	21,755
Purchased services	11,980	716	11,264	8,105
Supplies and materials	<u>5,000</u>	<u>2,892</u>	<u>2,108</u>	<u>1,635</u>
Total	<u>159,716</u>	<u>138,242</u>	<u>21,474</u>	<u>157,555</u>
Gifted programs				
Salaries	687,708	727,916	(40,208)	687,376
Employee benefits	<u>103,633</u>	<u>70,076</u>	<u>33,557</u>	<u>131,288</u>
Total	<u>791,341</u>	<u>797,992</u>	<u>(6,651)</u>	<u>818,664</u>

(Continued)

North Shore School District 112

General Fund

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance From Final Budget	2012 Actual
	Original and Final Budget	Actual		
Bilingual programs				
Salaries	\$ 3,446,012	\$ 3,237,011	\$ 209,001	\$ 3,456,785
Employee benefits	634,977	425,410	209,567	624,785
Purchased services	52,694	23,244	29,450	12,386
Supplies and materials	27,800	27,954	(154)	25,387
Capital outlay	600	-	600	-
Total	4,162,083	3,713,619	448,464	4,119,343
Spec. Ed. Programs K-12 - private tuition	1,003,105	964,250	38,855	916,292
Total instruction	47,899,631	46,679,259	1,220,372	49,059,718
Support services				
Pupils				
Attendance and social work services				
Salaries	-	-	-	9,000
Total	-	-	-	9,000
Guidance services				
Salaries	1,063,697	1,006,847	56,850	989,382
Employee benefits	200,268	135,054	65,214	194,971
Purchased services	500	500	-	-
Total	1,264,465	1,142,401	122,064	1,184,353
Health services				
Salaries	528,794	512,526	16,268	485,968
Employee benefits	179,004	117,536	61,468	85,122
Purchased services	3,960	3,906	54	1,498
Supplies and materials	10,470	3,262	7,208	11,338
Capital outlay	1,500	-	1,500	3,104
Total	723,728	637,230	86,498	587,030

(Continued)

North Shore School District 112

General Fund

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013			2012 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Psychological services				
Salaries	\$ 594,850	\$ 537,352	\$ 57,498	\$ 528,280
Employee benefits	109,172	73,733	35,439	114,230
Purchased services	12,600	800	11,800	1,172
Supplies and materials	5,700	4,774	926	-
Total	722,322	616,659	105,663	643,682
Speech pathology and audiology services				
Salaries	1,034,353	889,381	144,972	951,162
Employee benefits	198,967	134,263	64,704	204,366
Purchased services	1,200	48,194	(46,994)	-
Supplies and materials	4,700	3,768	932	6,143
Capital outlay	8,782	6,267	2,515	-
Total	1,248,002	1,081,873	166,129	1,161,671
Other support services - pupils				
Supplies and materials	4,500	3,044	1,456	8,578
Total	4,500	3,044	1,456	8,578
Total pupils	3,963,017	3,481,207	481,810	3,594,314

(Continued)

North Shore School District 112

General Fund

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013			2012 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Instructional staff				
Improvement of instruction services				
Salaries	\$ 623,114	\$ 580,539	\$ 42,575	\$ 717,217
Employee benefits	191,605	170,957	20,648	248,012
Purchased services	1,006,715	916,064	90,651	281,150
Supplies and materials	618,184	459,453	158,731	504,187
Capital outlay	65,250	69,925	(4,675)	308,790
Other objects	5,025	-	5,025	5,224
	<u>2,509,893</u>	<u>2,196,938</u>	<u>312,955</u>	<u>2,064,580</u>
Educational media services				
Salaries	1,201,372	1,197,925	3,447	1,337,224
Employee benefits	288,537	201,495	87,042	250,321
Purchased services	339,028	322,227	16,801	290,237
Supplies and materials	54,280	46,384	7,896	12,170
Capital outlay	603,885	2,014,229	(1,410,344)	496,887
Other objects	864	82	782	695
	<u>2,487,966</u>	<u>3,782,342</u>	<u>(1,294,376)</u>	<u>2,387,534</u>
	<u>4,997,859</u>	<u>5,979,280</u>	<u>(981,421)</u>	<u>4,452,114</u>
General administration				
Board of education services				
Salaries	-	45,803	(45,803)	44,998
Employee benefits	-	-	-	10,105
Purchased services	441,862	379,578	62,284	276,956
Supplies and materials	5,300	4,826	474	5,894
Other objects	13,962	13,678	284	16,442
	<u>461,124</u>	<u>443,885</u>	<u>17,239</u>	<u>354,395</u>

(Continued)

North Shore School District 112

General Fund

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013			2012 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Executive administration services				
Salaries	\$ 364,379	\$ 303,337	\$ 61,042	\$ 295,798
Employee benefits	77,785	112,735	(34,950)	145,607
Purchased services	14,400	2,649	11,751	9,523
Supplies and materials	1,500	589	911	1,539
Capital outlay	-	-	-	745
Other objects	4,050	5,092	(1,042)	4,072
Total	<u>462,114</u>	<u>424,402</u>	<u>37,712</u>	<u>457,284</u>
Tort immunity services				
Purchased services	<u>595,285</u>	<u>513,302</u>	<u>81,983</u>	<u>431,459</u>
Total	<u>595,285</u>	<u>513,302</u>	<u>81,983</u>	<u>431,459</u>
Total general administration	<u>1,518,523</u>	<u>1,381,589</u>	<u>136,934</u>	<u>1,243,138</u>
Office of the principal services				
Salaries	2,472,909	2,465,308	7,601	2,540,000
Employee benefits	807,065	642,658	164,407	784,120
Purchased services	<u>13,500</u>	<u>8,434</u>	<u>5,066</u>	<u>5,585</u>
Total	<u>3,293,474</u>	<u>3,116,400</u>	<u>177,074</u>	<u>3,329,705</u>

(Continued)

North Shore School District 112

General Fund

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013			2012 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
School administration				
Employee benefits	\$ -	\$ 3,401	\$ (3,401)	\$ -
Total	<u>-</u>	<u>3,401</u>	<u>(3,401)</u>	<u>-</u>
Total school administration	<u>3,293,474</u>	<u>3,119,801</u>	<u>173,673</u>	<u>3,329,705</u>
Business				
Direction of business support services				
Salaries	224,545	224,361	184	218,155
Employee benefits	58,948	55,542	3,406	99,182
Purchased services	6,150	6,620	(470)	5,813
Supplies and materials	1,000	26	974	135
Capital outlay	3,500	-	3,500	734
Other objects	<u>-</u>	<u>1,340</u>	<u>(1,340)</u>	<u>3,593</u>
Total	<u>294,143</u>	<u>287,889</u>	<u>6,254</u>	<u>327,612</u>
Fiscal services				
Salaries	291,529	299,618	(8,089)	275,253
Employee benefits	88,978	62,197	26,781	62,658
Purchased services	181,103	95,194	85,909	90,746
Supplies and materials	7,700	5,759	1,941	4,935
Other objects	<u>1,100</u>	<u>569</u>	<u>531</u>	<u>800</u>
Total	<u>570,410</u>	<u>463,337</u>	<u>107,073</u>	<u>434,392</u>
Operation and maintenance of plant services				
Employee benefits	<u>-</u>	<u>343</u>	<u>(343)</u>	<u>-</u>
Total	<u>-</u>	<u>343</u>	<u>(343)</u>	<u>-</u>

(Continued)

North Shore School District 112

General Fund

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013			2012 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Pupil transportation services				
Purchased services	\$ -	\$ -	\$ -	\$ 500
Supplies and materials	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>
Total	<u>500</u>	<u>-</u>	<u>500</u>	<u>500</u>
Food services				
Salaries	-	-	-	10,655
Employee benefits	-	-	-	1,850
Purchased services	484,308	485,382	(1,074)	396,526
Supplies and materials	1,250	833	417	99,624
Capital outlay	<u>31,000</u>	<u>-</u>	<u>31,000</u>	<u>12,212</u>
Total	<u>516,558</u>	<u>486,215</u>	<u>30,343</u>	<u>520,867</u>
Internal services				
Supplies and materials	<u>4,068</u>	<u>5,352</u>	<u>(1,284)</u>	<u>5,091</u>
Total	<u>4,068</u>	<u>5,352</u>	<u>(1,284)</u>	<u>5,091</u>
Total business	<u>1,385,679</u>	<u>1,243,136</u>	<u>142,543</u>	<u>1,288,462</u>
Central				
Direction of central support services				
Employee benefits	<u>96,374</u>	<u>2,441,993</u>	<u>(2,345,619)</u>	<u>-</u>
Total	<u>96,374</u>	<u>2,441,993</u>	<u>(2,345,619)</u>	<u>-</u>

(Continued)

North Shore School District 112

General Fund

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance From Final Budget	2012 Actual
	Original and Final Budget	Actual		
Planning, research, development and evaluation services				
Purchased services	\$ 5,644	\$ -	\$ 5,644	\$ -
Supplies and materials	7,200	1,188	6,012	730
Other objects	450	-	450	-
Total	13,294	1,188	12,106	730
Information services				
Salaries	66,000	67,561	(1,561)	47,287
Employee benefits	7,091	7,623	(532)	10,673
Purchased services	27,395	21,700	5,695	17,527
Supplies and materials	600	52	548	981
Capital outlay	600	-	600	-
Other objects	991	890	101	588
Total	102,677	97,826	4,851	77,056
Staff services				
Salaries	247,372	246,966	406	316,844
Employee benefits	78,940	69,203	9,737	105,011
Purchased services	65,075	54,618	10,457	67,546
Supplies and materials	4,865	2,429	2,436	4,728
Other objects	260	257	3	340
Total	396,512	373,473	23,039	494,469
Total central	608,857	2,914,480	(2,305,623)	572,255

(Continued)

North Shore School District 112

General Fund

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance From Final Budget	2012 Actual
	Original and Final Budget	Actual		
Other supporting services				
Salaries	\$ 2,580	\$ 1,310	\$ 1,270	\$ 21
Purchased services	69,670	74,683	(5,013)	28,760
Supplies and materials	<u>500</u>	<u>7,456</u>	<u>(6,956)</u>	<u>-</u>
Total supporting services	<u>72,750</u>	<u>83,449</u>	<u>(10,699)</u>	<u>28,781</u>
Total support services	<u>15,840,159</u>	<u>18,202,942</u>	<u>(2,362,783)</u>	<u>14,508,769</u>
Community services				
Salaries	1,344	3,276	(1,932)	-
Employee benefits	-	511	(511)	-
Purchased services	15,086	10,426	4,660	15,057
Supplies and materials	<u>3,500</u>	<u>5,647</u>	<u>(2,147)</u>	<u>3,500</u>
Total	<u>19,930</u>	<u>19,860</u>	<u>70</u>	<u>18,557</u>
Payments to Other Districts and Gov't Units				
Purchased services	<u>1,463,986</u>	<u>1,555,855</u>	<u>(91,869)</u>	<u>1,687,223</u>
Payments for Spec. Ed. programs - tuition				
Other objects	<u>1,362,591</u>	<u>1,369,518</u>	<u>(6,927)</u>	<u>1,133,152</u>
Total payments to other districts and other Gov'ts	<u>2,826,577</u>	<u>2,925,373</u>	<u>(98,796)</u>	<u>2,820,375</u>
Total expenditures	<u>66,586,297</u>	<u>67,827,434</u>	<u>(1,241,137)</u>	<u>66,407,419</u>
Excess of revenues over expenditures	<u>412,916</u>	<u>817,332</u>	<u>404,416</u>	<u>1,661,721</u>

(Continued)

North Shore School District 112

General Fund

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013			2012
	Original and Final Budget	Actual	Variance From Final Budget	Actual
Other financing uses				
Trans to Debt Svc Fund for Principal on Capital Leases	\$ (236,472)	\$ (237,036)	\$ (564)	\$ (241,371)
Trans to Debt Svc Fund for Interest on Capital Leases	<u>(15,466)</u>	<u>(14,902)</u>	<u>564</u>	<u>(24,173)</u>
Total other financing uses	<u>(251,938)</u>	<u>(251,938)</u>	<u>-</u>	<u>(265,544)</u>
Net change to fund balance	<u>\$ 160,978</u>	565,394	<u>\$ 404,416</u>	1,396,177
Fund balance, beginning of year		<u>20,303,188</u>		<u>18,907,011</u>
Fund balance, end of year		<u>\$ 20,868,582</u>		<u>\$ 20,303,188</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, 2013
With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance From Final Budget	2012 Actual
	Original and Final Budget	Actual		
Revenues				
Local sources				
General levy	\$ 6,751,272	\$ 6,749,826	\$ (1,446)	\$ 5,862,029
Corporate personal property replacement taxes	74,393	66,883	(7,510)	65,461
Interest on investments	15,000	24,218	9,218	12,844
Rentals	150,000	162,261	12,261	159,076
Impact fees from municipal or county gov'ts	5,000	13,000	8,000	30,000
Other	<u>206,888</u>	<u>197,277</u>	<u>(9,611)</u>	<u>168,450</u>
Total local sources	<u>7,202,553</u>	<u>7,213,465</u>	<u>10,912</u>	<u>6,297,860</u>
Total revenues	<u>7,202,553</u>	<u>7,213,465</u>	<u>10,912</u>	<u>6,297,860</u>
Expenditures				
Support services				
Business				
Operation and maintenance of plant services				
Salaries	1,175,547	1,107,056	68,491	1,075,747
Employee benefits	231,855	158,745	73,110	202,259
Purchased services	2,970,664	3,790,288	(819,624)	2,801,757
Supplies and materials	1,225,167	917,171	307,996	940,138
Capital outlay	<u>1,775,000</u>	<u>1,143,166</u>	<u>631,834</u>	<u>928,970</u>
Total business	<u>7,378,233</u>	<u>7,116,426</u>	<u>261,807</u>	<u>5,948,871</u>
Total support services	<u>7,378,233</u>	<u>7,116,426</u>	<u>261,807</u>	<u>5,948,871</u>
Total expenditures	<u>7,378,233</u>	<u>7,116,426</u>	<u>261,807</u>	<u>5,948,871</u>
Excess of revenues over expenditures	<u>(175,680)</u>	<u>97,039</u>	<u>272,719</u>	<u>348,989</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, 2013
With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance From Final Budget	2012 Actual
	Original and Final Budget	Actual		
Other financing sources (uses)				
Permanent transfer from working				
Cash fund - interest	\$ 101,244	\$ -	\$ (101,244)	\$ -
Transfer to debt svc fund for principal on debt certificates	(30,000)	(30,000)	-	(30,000)
Transfer to debt svc fund for interest on debt certificates	<u>(3,250)</u>	<u>(3,250)</u>	<u>-</u>	<u>(4,225)</u>
Total other financing sources (uses)	<u>67,994</u>	<u>(33,250)</u>	<u>(101,244)</u>	<u>(34,225)</u>
Net change in fund balance	<u>\$ (107,686)</u>	63,789	<u>\$ 171,475</u>	314,764
Fund balance, beginning of year		<u>4,007,832</u>		<u>3,693,068</u>
Fund balance, end of year		<u>\$ 4,071,621</u>		<u>\$ 4,007,832</u>

(Concluded)

North Shore School District 112
Transportation Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013
With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance From Final Budget	2012 Actual
	Original and Final Budget	Actual		
Revenues				
Local sources				
General levy	\$ 1,715,854	\$ 1,907,897	\$ 192,043	\$ 1,727,205
Corporate personal property replacement taxes	116,321	107,015	(9,306)	104,738
Regular transportation fees from pupils or parents	50,000	26,325	(23,675)	36,732
Interest on investments	<u>4,000</u>	<u>4,586</u>	<u>586</u>	<u>2,937</u>
Total local sources	<u>1,886,175</u>	<u>2,045,823</u>	<u>159,648</u>	<u>1,871,612</u>
State sources				
Transportation - Regular/Vocational	26,048	44,667	18,619	28,263
Transportation - Special Education	<u>687,285</u>	<u>645,347</u>	<u>(41,938)</u>	<u>532,684</u>
Total state sources	<u>713,333</u>	<u>690,014</u>	<u>(23,319)</u>	<u>560,947</u>
Total revenues	<u>2,599,508</u>	<u>2,735,837</u>	<u>136,329</u>	<u>2,432,559</u>

(Continued)

North Shore School District 112
Transportation Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013
With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance From Final Budget	2012 Actual
	Original and Final Budget	Actual		
Expenditures				
Support services				
Business				
Pupil transportation services				
Salaries	\$ 80,256	\$ 66,593	\$ 13,663	\$ 101,056
Employee benefits	40,773	29,373	11,400	39,387
Purchased services	2,720,734	2,373,290	347,444	2,453,739
Supplies and materials	5,000	3,336	1,664	4,048
Capital outlay	-	3,012	(3,012)	-
Total support services	<u>2,846,763</u>	<u>2,475,604</u>	<u>371,159</u>	<u>2,598,230</u>
Total expenditures	<u>2,846,763</u>	<u>2,475,604</u>	<u>371,159</u>	<u>2,598,230</u>
Excess of revenues over expenditures	<u>\$ (247,255)</u>	260,233	<u>\$ 507,488</u>	(165,671)
Fund balance, beginning of year		<u>578,132</u>		<u>743,803</u>
Fund balance, end of year		<u>\$ 838,365</u>		<u>\$ 578,132</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, 2013
With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance From Final Budget	2012 Actual
	Original and Final Budget	Actual		
Revenues				
Local sources				
General levy	\$ 775,143	\$ 787,008	\$ 11,865	\$ 706,584
Social security/medicare only levy	775,143	787,007	11,864	706,584
Corporate personal property replacement taxes	509,286	494,945	(14,341)	484,411
Interest on investments	<u>6,500</u>	<u>6,123</u>	<u>(377)</u>	<u>3,131</u>
Total local sources	<u>2,066,072</u>	<u>2,075,083</u>	<u>9,011</u>	<u>1,900,710</u>
Total revenues	<u>2,066,072</u>	<u>2,075,083</u>	<u>9,011</u>	<u>1,900,710</u>
Expenditures				
Instruction				
Regular programs	353,391	299,916	53,475	305,296
Special education programs	318,830	316,558	2,272	365,688
Special education programs pre-K	6,745	8,651	(1,906)	23,149
Remedial and supplemental programs K-12	12,858	11,336	1,522	9,511
Remedial and supplemental programs pre-K	31,381	26,042	5,339	24,568
Summer school programs	15,471	6,140	9,331	5,980
Gifted programs	-	9,885	(9,885)	9,323
Bilingual programs	<u>111,200</u>	<u>103,768</u>	<u>7,432</u>	<u>122,373</u>
Total instruction	<u>849,876</u>	<u>782,296</u>	<u>67,580</u>	<u>865,888</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, 2013
With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance From Final Budget	2012 Actual
	Original and Final Budget	Actual		
Support services				
Pupils				
Attendance and social work services	\$ -	\$ -	\$ -	\$ 688
Guidance services	16,276	14,114	2,162	13,681
Health services	95,480	89,419	6,061	83,134
Psychological services	9,192	8,047	1,145	8,567
Speech pathology and audiology services	<u>15,012</u>	<u>12,257</u>	<u>2,755</u>	<u>13,393</u>
Total pupils	<u>135,960</u>	<u>123,837</u>	<u>12,123</u>	<u>119,463</u>
Instructional staff				
Improvement of instruction services	28,498	26,281	2,217	31,532
Educational media services	<u>98,264</u>	<u>88,364</u>	<u>9,900</u>	<u>118,543</u>
Total instructional staff	<u>126,762</u>	<u>114,645</u>	<u>12,117</u>	<u>150,075</u>
General administration				
Board of education services	19,313	9,216	10,097	9,118
Executive administration services	<u>3,572</u>	<u>17,077</u>	<u>(13,505)</u>	<u>15,686</u>
Total general administration	<u>22,885</u>	<u>26,293</u>	<u>(3,408)</u>	<u>24,804</u>
School administration				
Office of the principal services	<u>148,809</u>	<u>147,769</u>	<u>1,040</u>	<u>143,704</u>
Total school administration	<u>148,809</u>	<u>147,769</u>	<u>1,040</u>	<u>143,704</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, 2013
With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013			2012 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Business				
Direction of business support services	\$ 47,837	\$ 48,602	\$ (765)	\$ 52,326
Fiscal services	59,233	60,235	(1,002)	56,253
Operation and maintenance of plant services	236,753	225,872	10,881	214,848
Pupil transportation services	17,660	17,011	649	22,954
Food services	-	-	-	1,935
Total business	<u>361,483</u>	<u>351,720</u>	<u>9,763</u>	<u>348,316</u>
Central				
Information services	13,228	12,727	501	8,616
Staff services	<u>51,371</u>	<u>53,676</u>	<u>(2,305)</u>	<u>65,975</u>
Total central	<u>64,599</u>	<u>66,403</u>	<u>(1,804)</u>	<u>74,591</u>
Other support services	<u>840</u>	<u>256</u>	<u>584</u>	<u>-</u>
Total support services	<u>861,338</u>	<u>830,923</u>	<u>30,415</u>	<u>860,953</u>
Community services	<u>270</u>	<u>201</u>	<u>69</u>	<u>-</u>
Total expenditures	<u>1,711,484</u>	<u>1,613,420</u>	<u>98,064</u>	<u>1,726,841</u>
Excess of revenues over expenditures	<u>\$ 354,588</u>	461,663	<u>\$ 107,075</u>	173,869
Fund balance, beginning of year		<u>1,126,468</u>		<u>952,599</u>
Fund balance, end of year		<u>\$ 1,588,131</u>		<u>\$ 1,126,468</u>

(Concluded)

North Shore School District 112
Notes to the Required Supplementary Information
June 30, 2013

1. LEGAL COMPLIANCE AND ACCOUNTABILITY - BUDGETS

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.

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

- a) The Administration submits to the Board of Education a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- b) Public hearings are conducted and the proposed budget is available for inspection to obtain comments.
- c) By September 30, the budget is legally adopted through passage of a resolution. By the last Tuesday in December each year, a tax levy resolution is filed with the County Clerk to obtain tax revenues.
- d) Management is authorized to transfer budget amounts, provided funds are transferred between the same function and object codes. The Board of Education is authorized to transfer up to a legal level of 10% of the total budget between functions within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education after a public hearing process mandated by law.
- e) Formal budgetary integration is employed as a management control device during the year for the governmental funds.
- f) The budget amounts shown in the financial statements are as originally adopted by the Board of Education on August 21, 2012.

2. EXPENDITURES IN EXCESS OF BUDGETS

The following funds had expenditures in excess of budgets at June 30, 2013:

<u>Funds</u>	<u>Amount</u>
General Fund	\$ 1,241,137

SUPPLEMENTARY FINANCIAL INFORMATION

North Shore School District 112

General Fund

COMBINING BALANCE SHEET

June 30, 2013

	<u>Educational</u>	<u>Tort Immunity and Judgment</u>	<u>Working Cash</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 38,291,226	\$ 670,018	\$ 12,528,350	\$ 51,489,594
Receivables (net of allowance for uncollectibles):				
Interest	84,457	1,925	21,139	107,521
Property taxes	25,851,490	44,077	33,057	25,928,624
Intergovernmental	805,339	-	-	805,339
Prepaid Items	<u>82,219</u>	<u>-</u>	<u>-</u>	<u>82,219</u>
Total assets	<u>\$ 65,114,731</u>	<u>\$ 716,020</u>	<u>\$ 12,582,546</u>	<u>\$ 78,413,297</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 905,276	\$ -	\$ -	\$ 905,276
Salaries and wages payable	3,999,494	-	-	3,999,494
Compensated absences	43,072	-	-	43,072
Other current liabilities	244,048	-	-	244,048
Deferred revenue	<u>52,180,701</u>	<u>90,263</u>	<u>81,861</u>	<u>52,352,825</u>
Total liabilities	<u>57,372,591</u>	<u>90,263</u>	<u>81,861</u>	<u>57,544,715</u>
Fund balances:				
Nonspendable	82,219	-	-	82,219
Restricted	-	625,757	-	625,757
Assigned	7,659,921	-	6,738,733	14,398,654
Unassigned	<u>-</u>	<u>-</u>	<u>5,761,952</u>	<u>5,761,952</u>
Total fund balance	<u>7,742,140</u>	<u>625,757</u>	<u>12,500,685</u>	<u>20,868,582</u>
Total liabilities and fund balance	<u>\$ 65,114,731</u>	<u>\$ 716,020</u>	<u>\$ 12,582,546</u>	<u>\$ 78,413,297</u>

North Shore School District 112

General Fund

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2013

	Educational	Tort Immunity and Judgment	Working Cash	Total
Revenues				
Property taxes	\$ 49,605,326	\$ 274,079	\$ 71,547	\$ 49,950,952
State aid	13,872,211	-	-	13,872,211
Federal aid	2,769,780	-	-	2,769,780
Interest	92,462	2,048	133,476	227,986
Other	1,823,837	-	-	1,823,837
Total revenues	<u>68,163,616</u>	<u>276,127</u>	<u>205,023</u>	<u>68,644,766</u>
Expenditures				
Current:				
Instruction:				
Regular programs	22,211,372	-	-	22,211,372
Special programs	8,862,214	-	-	8,862,214
Other instructional programs	5,527,769	-	-	5,527,769
State retirement contributions	10,008,093	-	-	10,008,093
Support services:				
Pupils	3,474,940	-	-	3,474,940
Instructional staff	3,895,126	-	-	3,895,126
General administration	904,927	476,662	-	1,381,589
School administration	3,119,801	-	-	3,119,801
Business	1,242,793	-	-	1,242,793
Operations and maintenance	343	-	-	343
Central	2,914,480	-	-	2,914,480
Other supporting services	83,449	-	-	83,449
Community services	19,860	-	-	19,860
Nonprogrammed charges	2,925,373	-	-	2,925,373
Debt service:				
Capital outlay	2,160,232	-	-	2,160,232
Total expenditures	<u>67,350,772</u>	<u>476,662</u>	<u>-</u>	<u>67,827,434</u>
Excess (deficiency) of revenues over expenditures	<u>812,844</u>	<u>(200,535)</u>	<u>205,023</u>	<u>817,332</u>
Other financing uses				
Transfers (out)	(251,938)	-	-	(251,938)
Total other financing uses	<u>(251,938)</u>	<u>-</u>	<u>-</u>	<u>(251,938)</u>
Net change in fund balance	560,906	(200,535)	205,023	565,394
Fund balance, beginning of year	7,181,234	826,292	12,295,662	20,303,188
Fund balance, end of year	<u>\$ 7,742,140</u>	<u>\$ 625,757</u>	<u>\$ 12,500,685</u>	<u>\$ 20,868,582</u>

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, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013			2012 Actual
	Original and Final Budget	Actual	Variance From Final Budget	
Revenues				
Local sources				
General levy	\$ 5,467,844	\$ 5,580,599	\$ 112,755	\$ 3,349,731
Interest on investments	<u>10,000</u>	<u>9,729</u>	<u>(271)</u>	<u>6,406</u>
Total local sources	<u>5,477,844</u>	<u>5,590,328</u>	<u>112,484</u>	<u>3,356,137</u>
Total revenues	<u>5,477,844</u>	<u>5,590,328</u>	<u>112,484</u>	<u>3,356,137</u>
Expenditures				
Debt service				
Debt services - interest				
Bonds - interest	<u>770,006</u>	<u>532,970</u>	<u>237,036</u>	<u>1,029,349</u>
Total debt service - interest	<u>770,006</u>	<u>532,970</u>	<u>237,036</u>	<u>1,029,349</u>
Principal payments on long-term debt	<u>6,450,000</u>	<u>6,687,036</u>	<u>(237,036)</u>	<u>3,905,000</u>
Other debt service				
Other objects	<u>2,500</u>	<u>1,000</u>	<u>1,500</u>	<u>1,400</u>
Total	<u>2,500</u>	<u>1,000</u>	<u>1,500</u>	<u>1,400</u>
Total debt service	<u>7,222,506</u>	<u>7,221,006</u>	<u>1,500</u>	<u>4,935,749</u>
Total expenditures	<u>7,222,506</u>	<u>7,221,006</u>	<u>1,500</u>	<u>4,935,749</u>
Deficiency of revenues over expenditures	<u>(1,744,662)</u>	<u>(1,630,678)</u>	<u>113,984</u>	<u>(1,579,612)</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, 2013
With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance From Final Budget	2012 Actual
	Original and Final Budget	Actual		
Other financing sources				
Permanent transfer of excess accumulated fire prevention and safety bond proceeds and interest earnings	\$ 1,418,600	\$ 1,418,600	\$ -	\$ 1,328,600
Transfer to pay for principal on capital leases	236,472	237,036	564	241,371
Transfer to pay for interest on capital leases	15,466	14,902	(564)	24,173
Transfer to pay principal on debt certificates	30,000	30,000	-	30,000
Transfer to pay interest on debt certificates	<u>3,250</u>	<u>3,250</u>	<u>-</u>	<u>4,225</u>
Total other financing sources	<u>1,703,788</u>	<u>1,703,788</u>	<u>-</u>	<u>1,628,369</u>
Net change in fund balance	<u>\$ (40,874)</u>	73,110	<u>\$ 113,984</u>	48,757
Fund balance, beginning of year		<u>2,183,835</u>		<u>2,135,078</u>
Fund balance, end of year		<u>\$ 2,256,945</u>		<u>\$ 2,183,835</u>

(Concluded)

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, 2013
 With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance From Final Budget	2012 Actual
	Original and Final Budget	Actual		
Revenues				
Local sources				
General levy	\$ 1,420,434	\$ 1,430,923	\$ 10,489	\$ 1,386,998
Interest on investments	<u>2,500</u>	<u>1,175</u>	<u>(1,325)</u>	<u>1,254</u>
Total local sources	<u>1,422,934</u>	<u>1,432,098</u>	<u>9,164</u>	<u>1,388,252</u>
Total revenues	<u>1,422,934</u>	<u>1,432,098</u>	<u>9,164</u>	<u>1,388,252</u>
Expenditures				
Support services				
Facilities acquisition and construction services				
Purchased services	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,891</u>
Total support services	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,891</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,891</u>
Excess of revenues over expenditures	<u>1,422,934</u>	<u>1,432,098</u>	<u>9,164</u>	<u>1,290,361</u>
Other financing uses				
Permanent transfer of excess accumulated fire prevention and safety bonds and interest earnings	<u>\$ -</u>	<u>\$ (1,418,600)</u>	<u>\$ (1,418,600)</u>	<u>\$ (1,328,600)</u>
Total other financing uses	<u>-</u>	<u>(1,418,600)</u>	<u>(1,418,600)</u>	<u>(1,328,600)</u>
Net change in fund balance	<u>\$ 1,422,934</u>	13,498	<u>\$ (1,409,436)</u>	(38,239)
Fund balance, beginning of year		<u>140,896</u>		<u>179,135</u>
Fund balance, end of year		<u>\$ 154,394</u>		<u>\$ 140,896</u>

North Shore School District 112
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - STUDENT ACTIVITY FUNDS
Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Assets				
Cash and investments	\$ 242,757	\$ 347,630	\$ 354,533	\$ 235,854
Liabilities				
Due to student groups				
Braeside	\$ 11,303	\$ 8,383	\$ 18,947	\$ 739
Edgewood	18,512	67,341	75,499	10,354
Elm Place	8,431	96,497	84,427	20,501
Indian Trail	1,338	15,734	11,815	5,257
Lincoln	64,324	7,029	9,188	62,165
Northwood	29,297	57,937	67,052	20,182
Oak Terrace	2,868	25,845	23,586	5,127
Ravinia	31,279	16,367	19,305	28,341
Red Oak	2,567	7,663	5,794	4,436
Sherwood	48,257	21,880	21,571	48,566
Green Bay	2,599	7,609	3,267	6,941
W. Thomas	21,982	15,345	14,082	23,245
Total liabilities	\$ 242,757	\$ 347,630	\$ 354,533	\$ 235,854

STATISTICAL SECTION
(Unaudited)

Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	90 - 101
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	102 - 105
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.	106 - 109
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.	110 - 112
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.	113 - 116

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 Position by Component
Last Ten Fiscal Years

	<u>Fiscal Year</u>			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 63,122,681	\$ 57,079,378	\$ 54,337,116	\$ 46,989,074
Restricted				
Operations and maintenance	4,071,621	2,512,058	-	-
Student transportation	849,696	587,395	749,893	758,970
Retirement benefits	1,592,970	1,129,517	953,535	947,398
Capital projects	154,394	142,468	179,587	583,189
Tort immunity	625,757	826,292	776,297	779,928
Debt service	2,137,013	2,026,575	2,097,395	2,262,779
Unrestricted	<u>23,776,158</u>	<u>24,602,652</u>	<u>24,968,047</u>	<u>26,998,898</u>
Total net position	<u>\$ 96,330,290</u>	<u>\$ 88,906,335</u>	<u>\$ 84,061,870</u>	<u>\$ 79,320,236</u>

Note: Due to the implementation of GASB Statement No. 63 during fiscal year ended June 30, 2013, the District is not required to report net assets as net position.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 41,886,079	\$ 34,219,363	\$ 29,587,025	\$ 25,667,659	\$ 19,922,233	\$ 21,851,903
-	-	-	-	-	-
2,132,920	859,717	-	-	-	-
947,214	901,737	-	-	-	-
545,152	722,691	1,828,715	-	-	-
673,017	631,766	583,401	497,800	911,182	1,111,122
1,921,610	4,532,157	1,852,125	506,460	863,515	865,459
<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>\$ 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>

NORTH SHORE SCHOOL DISTRICT 112

Change in Net Position
Last Ten Fiscal Years

Expenses	Fiscal Year				
	2013	2012	2011	2010	2009
Governmental Activities:					
Instruction					
Regular Programs	\$23,352,715	\$24,826,055	\$23,853,551	\$26,341,612	\$24,626,115
Special Programs	12,521,987	13,420,182	12,793,825	13,884,555	11,303,473
Other Programs	5,298,953	5,693,955	5,317,007	2,552,792	2,482,796
State On-behalf Contributions to TRS	10,008,093	9,076,276	8,210,912	8,103,609	5,789,778
Support services					
Pupils	4,020,115	4,078,422	4,527,464	3,806,825	3,774,210
Instructional Staff	4,541,275	4,008,660	4,642,304	5,085,905	4,565,034
District Administration	1,409,685	1,269,129	1,240,978	1,523,559	1,663,220
School Administration	3,269,095	3,474,934	3,214,570	3,188,089	3,172,189
Business	2,366,492	2,162,251	2,511,464	2,212,965	1,809,075
Transportation	2,492,615	2,621,684	2,608,868	2,844,479	2,752,630
Facilities Acquisition and Construction	-	-	-	-	-
Operations and Maintenance	7,342,641	6,163,719	6,602,845	6,063,593	6,009,250
Food Service	-	-	-	-	-
Central	2,987,918	855,004	738,645	747,685	675,482
Other Supporting Services	83,705	28,781	-	-	-
Community Services	20,061	18,557	6,747	20,053	-
Nonprogrammed Charges	-	-	-	203.00	-
Interest on Debt	569,191	910,012	1,314,640	1,346,203	1,570,951
Total Governmental Expenses	80,284,541	78,607,621	77,583,820	77,722,127	70,194,203
Program Revenues					
Governmental Activities:					
Charges for Services:					
Instruction					
Regular Programs	672,824	691,713	687,257	874,280	704,283
Special Programs	-	-	-	95,920	119,207
Other Programs	51,413	45,348	35,166	149,926	125,306
Support Services					
Transportation	26,325	36,732	2,361	76,035	103,072
Business	101,509	118,296	128,973	135,407	150,975
Operations and Maintenance	162,261	159,076	150,977	146,219	158,149
Operating Grants and Contributions:					
Instruction					
Regular Programs	838,148	904,366	892,656	925,559	715,089
Special Programs	3,175,049	3,396,087	3,364,133	3,973,873	2,766,350
Other Programs	318,105	311,794	430,644	580,787	544,831
Support services					
Pupils	-	(351)	-	9,768	10,125
Instructional Staff	124,531	124,845	114,354	257,964	217,666
Operations and Maintenance	-	-	-	-	-
Transportation	690,014	560,947	688,970	915,830	943,493
Business	366,409	390,063	313,853	355,763	455,812
Capital Grants and Contributions:					
Instruction					
Regular Programs	-	-	-	-	-
Special Programs	-	-	-	-	-
Other Programs	-	-	-	-	-
Support services					
Instructional Staff	-	-	-	-	-
Business	-	-	-	-	-
Operations and Maintenance	-	-	-	-	-
Transportation	-	-	-	-	-
Food Service	-	-	-	-	-
State On-behalf Contributions to TRS	10,008,093	9,076,276	8,210,912	8,103,609	5,789,778
Total Government Program Revenues	16,534,681	15,815,192	15,020,256	16,600,940	12,804,136
Net (Expense) Revenue	(63,749,860)	(62,792,429)	(62,563,564)	(61,121,187)	(57,390,067)
General Revenues:					
Governmental Activities:					
Taxes					
Property Taxes	\$67,194,212	\$63,775,733	\$63,984,815	\$62,981,918	\$59,650,168
Replacement Taxes	668,843	654,610	711,587	548,718	678,274
General State Aid	1,161,746	1,181,508	1,170,390	896,632	1,011,851
Investment Earnings	273,817	254,898	301,277	754,156	1,715,954
Other General Revenues	1,875,197	1,770,145	1,137,129	2,224,416	1,431,328
Total General Revenues	71,173,815	67,636,894	67,305,198	67,405,840	64,487,575
Change in Net Position	\$ 7,423,955	\$ 4,844,465	\$ 4,741,634	\$ 6,284,653	\$ 7,097,508

Fiscal Year				
<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$22,711,221	\$24,796,600	\$25,771,477	\$23,345,745	\$23,485,367
10,799,877	7,632,994	6,880,004	6,069,855	4,932,755
1,707,831	1,882,377	1,762,988	1,701,687	1,469,833
3,934,895	3,192,342	2,261,955	3,447,147	3,751,062
3,305,016	2,919,075	3,063,407	2,624,114	2,176,258
4,818,297	3,662,683	3,216,985	2,861,031	2,545,626
1,481,027	1,663,875	2,038,644	1,447,111	1,349,413
2,994,651	3,052,486	2,642,844	2,625,966	2,122,293
1,901,447	573,492	553,390	658,698	617,070
2,531,292	2,655,297	2,720,410	3,129,272	3,187,236
-	569,943	1,196,574	-	-
6,224,724	6,237,146	4,646,476	5,413,270	8,348,249
-	378,633	383,226	357,755	304,636
710,784	672,974	512,050	629,997	491,603
-	-	-	-	-
-	-	49,067	3,504	-
-	3,823,487	4,114,321	3,683,228	2,752,970
<u>1,822,138</u>	<u>2,062,130</u>	<u>1,901,115</u>	<u>2,163,360</u>	<u>2,141,014</u>
<u>64,943,200</u>	<u>65,775,534</u>	<u>63,714,933</u>	<u>60,161,740</u>	<u>59,675,385</u>
1,124,990	818,121	719,375	426,845	383,035
-	-	92,783	128,764	67,433
-	-	-	-	-
88,390	70,179	100,879	99,299	78,483
131,982	244,043	98,832	355,856	311,977
-	-	-	-	-
705,190	532,302	614,453	775,145	696,843
2,555,034	2,141,642	2,610,136	2,585,516	2,160,297
454,492	452,393	-	-	-
9,640	-	9,645	-	-
166,923	-	-	-	-
-	-	693,307	424,319	496,130
997,708	-	1,066,454	1,305,640	1,096,579
419,923	-	253,585	5,874	5,294
-	-	11,933	88,131	23,129
-	-	-	-	-
-	-	-	-	-
-	174,462	3,263	50,031	110,313
-	382,222	-	-	-
-	-	136,516	115,513	198,548
-	1,096,719	-	-	-
-	-	-	-	-
<u>3,934,895</u>	<u>3,192,342</u>	<u>2,261,955</u>	<u>3,447,147</u>	<u>3,751,062</u>
<u>10,589,167</u>	<u>9,104,425</u>	<u>8,673,116</u>	<u>9,808,080</u>	<u>9,379,123</u>
<u>(54,354,033)</u>	<u>(56,671,109)</u>	<u>(55,041,817)</u>	<u>(50,353,660)</u>	<u>(50,296,262)</u>
\$57,220,044	\$54,379,286	\$51,193,332	\$48,792,541	\$47,380,412
775,373	725,053	664,496	593,582	426,789
967,936	957,072	959,346	964,876	970,140
2,600,033	2,836,795	2,029,625	1,095,120	336,972
<u>977,391</u>	<u>1,400,408</u>	<u>724,885</u>	<u>287,418</u>	<u>138,869</u>
<u>62,540,777</u>	<u>60,298,614</u>	<u>55,571,684</u>	<u>51,733,537</u>	<u>49,253,182</u>
<u>\$ 8,186,744</u>	<u>\$ 3,627,505</u>	<u>\$ 529,867</u>	<u>\$ 1,379,877</u>	<u>\$ (1,043,080)</u>

NORTH SHORE SCHOOL DISTRICT 112

Fund Balances - Governmental Funds

Last Ten Fiscal Years

	Fiscal Year			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Fund***				
Nonspendable	\$ 82,219	\$ 154,790	\$ 217,023	\$ -
Restricted	625,757	826,292	2,805,351	-
Assigned	-	16,568,067	17,998,431	-
Unassigned	20,160,606	2,754,039	1,579,274	-
Reserved				
Prepaid Items	-	-	-	12,500
Self Insurance	-	-	-	-
Tort Immunity **	-	-	-	-
Unreserved				
Designated for self-insurance	-	-	-	794,620
Undesignated	-	-	-	9,884,211
	<u>\$ 20,868,582</u>	<u>\$ 20,303,188</u>	<u>\$ 22,600,079</u>	<u>\$ 10,691,331</u>
Total General Fund	<u>\$ 20,868,582</u>	<u>\$ 20,303,188</u>	<u>\$ 22,600,079</u>	<u>\$ 10,691,331</u>
All Other Governmental Funds:				
Working Cash ***	\$ -	\$ -	\$ -	\$ 12,036,648
Fire Prevention and Safety *	-	-	-	583,189
Nonspendable	271,406	282,945	303,432	-
Restricted	8,638,050	5,680,312	3,061,621	-
Assigned	-	2,073,906	645,562	-
Reserved				
Prepaid Items	-	-	-	-
Debt Service	-	-	-	2,079,049
Unreserved				
Special Revenue	-	-	-	2,468,476
Capital Projects	-	-	-	-
	<u>\$ 8,909,456</u>	<u>\$ 8,037,163</u>	<u>\$ 4,010,615</u>	<u>\$ 17,167,362</u>
Total All Other Governmental Funds	<u>\$ 8,909,456</u>	<u>\$ 8,037,163</u>	<u>\$ 4,010,615</u>	<u>\$ 17,167,362</u>

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

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

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

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
382,016	382,504	393,491	382,147	6,500	-
-	1,503,653	-	796,287	750,948	874,027
-	631,766	583,401	497,800	911,182	1,111,122
1,051,970	1,503,653	-	-	-	-
<u>9,530,580</u>	<u>7,508,670</u>	<u>7,536,180</u>	<u>7,053,461</u>	<u>8,197,152</u>	<u>4,126,128</u>
<u>\$ 10,964,566</u>	<u>\$ 11,530,246</u>	<u>\$ 8,513,072</u>	<u>\$ 8,729,695</u>	<u>\$ 9,865,782</u>	<u>\$ 6,111,277</u>
\$ 12,008,214	\$ 11,789,915	\$ 9,961,125	\$ 9,090,866	\$ 10,695,478	\$ 9,438,854
545,152	690,916	1,788,786	-	9,556,945	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	245,395	-	-
1,921,610	1,706,750	1,511,377	1,009,688	1,134,825	1,091,166
2,460,545	1,761,454	1,860,329	1,883,240	1,799,737	5,238,577
-	31,775	39,929	6,230,775	421,233	778,424
<u>\$ 16,935,521</u>	<u>\$ 15,980,810</u>	<u>\$ 15,161,546</u>	<u>\$ 18,459,964</u>	<u>\$ 23,608,218</u>	<u>\$ 16,547,021</u>

NORTH SHORE SCHOOL DISTRICT 112

Governmental Funds Revenues Last Ten Fiscal Years

	Fiscal Years				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Local Sources	\$ 70,359,572	\$ 67,154,365	\$ 67,232,922	\$ 66,615,748	\$ 64,209,963
State Sources	4,554,132	4,625,659	4,661,872	4,800,845	4,581,238
Federal Sources	2,769,780	2,588,358	2,817,685	3,781,072	2,175,492
On-behalf Sources	<u>10,008,093</u>	<u>9,076,276</u>	<u>8,210,912</u>	<u>8,103,609</u>	<u>5,789,778</u>
Total revenues	<u>\$ 87,691,577</u>	<u>\$ 83,444,658</u>	<u>\$ 82,923,391</u>	<u>\$ 83,301,274</u>	<u>\$ 76,756,471</u>

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 62,918,203	\$ 60,504,973	\$ 56,162,348	\$ 51,787,154	\$ 49,340,558
4,496,510	4,331,178	4,388,436	4,247,844	4,220,871
1,780,336	1,405,184	1,431,809	1,807,617	1,498,691
<u>3,934,895</u>	<u>3,192,342</u>	<u>2,261,955</u>	<u>3,447,147</u>	<u>3,751,062</u>
<u>\$ 73,129,944</u>	<u>\$ 69,433,677</u>	<u>\$ 64,244,548</u>	<u>\$ 61,289,762</u>	<u>\$ 58,811,182</u>

NORTH SHORE SCHOOL DISTRICT 112

Governmental Funds Expenditures and Debt Service Ratio

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current expenditures	<u>\$ 75,726,474</u>	<u>\$ 75,159,901</u>	<u>\$ 74,021,481</u>	<u>\$ 73,858,060</u>	<u>\$ 66,892,815</u>
Capital outlay	<u>3,306,410</u>	<u>1,619,351</u>	<u>2,691,637</u>	<u>2,612,000</u>	<u>3,052,079</u>
Debt service:					
Principal	<u>6,687,036</u>	<u>3,905,000</u>	<u>6,480,399</u>	<u>6,333,115</u>	<u>5,610,075</u>
Interest	<u>533,970</u>	<u>1,030,749</u>	<u>977,873</u>	<u>1,177,985</u>	<u>1,404,605</u>
Total debt service	<u>7,221,006</u>	<u>4,935,749</u>	<u>7,458,272</u>	<u>7,511,100</u>	<u>7,014,680</u>
Total expenditures	<u>\$ 86,253,890</u>	<u>\$ 81,715,001</u>	<u>\$ 84,171,390</u>	<u>\$ 83,981,160</u>	<u>\$ 76,959,574</u>
Debt service required as a percentage of noncapital expenditures	8.71%	6.16%	9.15%	9.23%	9.49%
Debt service as a percentage of total expenditures	8.37%	6.04%	8.86%	8.94%	9.11%

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>\$ 61,286,127</u>	<u>\$ 65,481,119</u>	<u>\$ 61,576,472</u>	<u>\$ 56,590,331</u>	<u>\$ 53,295,416</u>
<u>1,653,614</u>	<u>1,493,311</u>	<u>844,281</u>	<u>1,168,381</u>	<u>4,573,916</u>
4,988,861	4,274,780	4,113,402	3,030,000	2,550,000
<u>1,658,743</u>	<u>2,019,508</u>	<u>1,937,697</u>	<u>1,882,368</u>	<u>2,144,214</u>
<u>6,647,604</u>	<u>6,294,288</u>	<u>6,051,099</u>	<u>4,912,368</u>	<u>4,694,214</u>
<u>\$ 69,587,345</u>	<u>\$ 73,268,718</u>	<u>\$ 68,471,852</u>	<u>\$ 62,671,080</u>	<u>\$ 62,563,546</u>
9.79%	8.77%	8.95%	7.99%	8.09%
9.55%	8.59%	8.84%	7.84%	7.50%

NORTH SHORE SCHOOL DISTRICT 112

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

	Fiscal Year			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 1,437,687	\$ 1,729,657	\$ (1,247,999)	\$ (679,886)
Other financing sources (uses)				
Transfers in	1,703,788	1,628,369	2,195,670	3,062,261
Bond proceeds	-	-	-	-
Premium on bonds sold	-	-	-	-
Accrued interest on bonds sold	-	-	-	-
Proceeds from capital lease	-	-	-	638,492
Sale of capital assets	-	-	-	-
Transfers out	<u>(1,703,788)</u>	<u>(1,628,369)</u>	<u>(2,195,670)</u>	<u>(3,062,261)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>638,492</u>
Net change in fund balances	<u>\$ 1,437,687</u>	<u>\$ 1,729,657</u>	<u>\$ (1,247,999)</u>	<u>\$ (41,394)</u>

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ (203,103)	\$ 3,542,599	\$ (3,835,041)	\$ (4,227,304)	\$ (1,381,318)	\$ (3,752,364)
3,362,067	1,199,991	1,536,597	3,776,175	4,620,000	620,000
-	-	-	-	10,165,000	8,835,000
-	-	-	-	226,134	189,754
-	-	-	-	32,365	3,510
590,334	293,839	-	-	1,773,481	(8,896,214)
1,800	-	-	-	-	-
<u>(3,362,067)</u>	<u>(1,199,991)</u>	<u>(1,536,597)</u>	<u>(3,776,175)</u>	<u>(4,620,000)</u>	<u>(620,000)</u>
<u>592,134</u>	<u>293,839</u>	<u>-</u>	<u>-</u>	<u>12,196,980</u>	<u>132,050</u>
<u>\$ 389,031</u>	<u>\$ 3,836,438</u>	<u>\$ (3,835,041)</u>	<u>\$ (4,227,304)</u>	<u>\$ 10,815,662</u>	<u>\$ (3,620,314)</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>Assessed Valuation</u>		<u>Total</u>	<u>Actual</u>	<u>Total</u>
	<u>Residential</u>	<u>Railroad</u>	<u>Equalized Assessed Value</u>	<u>Estimated Value</u>	<u>Direct Rate</u>
2012	\$2,221,715,371	\$ 1,960,279	\$ 2,223,675,650	\$ 6,738,411,061	2.957%
2011	2,388,796,816	1,563,287	2,390,360,103	7,243,515,464	2.818%
2010	2,621,114,126	1,665,690	2,622,779,816	7,947,817,624	2.437%
2009	2,774,384,409	1,373,833	2,775,758,242	8,411,388,612	2.313%
2008	2,848,937,065	1,175,928	2,850,112,993	8,636,706,039	2.215%
2007	NA	NA	2,740,389,897	8,304,211,809	2.186%
2006	NA	NA	2,577,404,428	7,810,316,448	2.225%
2005	NA	NA	2,354,422,964	7,134,615,042	2.312%
2004	NA	NA	2,101,536,614	6,368,292,770	2.457%
2003	NA	NA	1,962,192,004	5,946,036,376	2.538%

Source: Lake County Clerk's Office

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

NA - not available

NORTH SHORE SCHOOL DISTRICT 112

Property Tax Rates - Direct and Overlapping Governments

Last Ten Tax Levy Years

District Direct Rates												
Tax Levy Year	Highland				Lake County				South Lake	Total		Total Tax Rate
	NSSD 112	Highland Park	Lake County	HSD 113	Park District	Park Sanitary	North	Forest Preserve	Township of Moraine	College of Lake County	Mosquito Abatement	
2012	2.957	0.709	0.608	2.178	0.445	0.150	0.212	0.066	0.272	0.015	4.655	7.612
2011	2.818	0.643	0.554	2.167	0.410	0.150	0.201	0.059	0.240	0.014	4.438	7.256
2010	2.437	0.586	0.505	1.921	0.379	0.136	0.198	0.052	0.218	0.013	4.008	6.445
2009	2.313	0.536	0.464	1.748	0.394	0.124	0.200	0.047	0.200	0.012	3.725	6.038
2008	2.215	0.515	0.453	1.660	0.380	0.121	0.199	0.045	0.020	0.011	3.404	5.619
2007	2.186	0.517	0.444	1.619	0.377	0.120	0.201	0.044	0.192	0.011	3.525	5.711
2006	2.225	0.532	0.450	1.635	0.378	0.125	0.204	0.044	0.195	0.012	3.575	5.800
2005	2.312	0.561	0.454	1.686	0.397	0.132	0.210	0.045	0.197	0.012	3.694	6.006
2004	2.457	0.624	0.465	1.758	0.422	0.139	0.219	0.047	0.200	0.012	3.886	6.343
2003	2.538	0.640	0.490	1.825	0.433	0.144	0.225	0.048	0.201	0.012	4.018	6.556

Source: Lake County Clerk's Office

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

NORTH SHORE SCHOOL DISTRICT 112

Principal Taxpayers
Tax Levy Year 2012 and Nine Years Ago

<u>Taxpayer</u>	<u>2012</u>		<u>2003</u>	
	Equalized Assessed <u>Valuation</u>	Percentage of <u>Total</u>	Equalized Assessed <u>Valuation</u>	Percentage of <u>Total</u>
Metzler I Renaissance Place LP	\$ 12,232,787	0.55%	\$ -	0.00%
Midwest Family Housing LLC	7,870,549	0.35%	-	0.00%
Federal Realty Invst Trst	6,790,504	0.31%	-	0.00%
Klairmont Family Associates LP	4,298,118	0.19%	2,570,514	0.13%
Chicago Title Land Trust Co.	5,916,496	0.27%	-	0.00%
Highland Park Associates II, LLC	4,509,873	0.20%	-	0.00%
Americana Apartments	4,074,035	0.18%	4,385,084	0.22%
Morningside Highwood LLC	4,062,186	0.18%	-	0.00%
Sunset Food Mart, Inc.	3,739,993	0.17%	2,763,241	0.14%
Lake Forest Bank and Trust	3,817,128	0.17%	-	0.00%
Renessaince Place	-	0.00%	9,779,569	0.50%
Crossroads Shopping Center	-	0.00%	5,733,300	0.29%
Target Corporation	-	0.00%	3,823,888	0.19%
North Shore Estates	-	0.00%	3,499,650	0.18%
Port Clinton Square	-	0.00%	3,489,180	0.18%
Dominicks	-	0.00%	2,468,977	0.13%
Michael and Juanita Jordan	-	0.00%	2,425,744	0.12%
LaSalle Bank National Association	-	0.00%	2,042,243	0.10%
Esses House Condominiums	-	0.00%	1,950,525	0.10%
Michael Babel	-	<u>0.00%</u>	<u>1,888,425</u>	<u>0.10%</u>
Total Principal Taxpayers in District	<u>57,311,669</u>	<u>2.57%</u>	<u>46,820,340</u>	<u>2.38%</u>
Other Taxpayers in District	<u>2,166,363,981</u>	<u>97.43%</u>	<u>1,915,371,664</u>	<u>97.60%</u>
Total	<u>\$ 2,223,675,650</u>	<u>100.00%</u>	<u>\$ 1,962,192,004</u>	<u>99.98%</u>

Source: Moraine Township Assessor (2003)
Office of the County Clerk - Lake County (2012)

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
2012	\$ 66,530,086	\$ 32,840,980	49.36%	\$ 32,840,980	49.36%
2011	67,944,380	33,643,832	49.52%	67,193,572	98.89%
2010	64,111,980	31,646,316	49.36%	63,776,428	99.48%
2009	64,688,542	32,669,441	50.50%	64,429,788	99.60%
2008	59,796,475	32,302,057	54.02%	59,646,983	99.75%
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%

NORTH SHORE SCHOOL DISTRICT 112

Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Government Activities		Total Primary Government	Equalized Assessed Valuation	Ratio of General Bonded Debt to Actual Estimated Value	Debt Outstanding per Capita
	General Obligation Bonds and Certificates	Capital Leases				
2013	\$ 7,920,000	\$ 188,558	\$ 8,108,558	\$ 2,223,675,650	0.12%	\$ 230
2012	14,370,000	425,594	14,795,594	2,390,360,103	0.20%	421
2011	18,275,000	666,867	18,941,867	2,622,779,816	0.23%	516
2010	24,440,000	982,266	25,422,266	2,775,758,242	0.29%	689
2009	30,080,000	1,036,889	31,116,889	2,850,112,993	0.35%	844
2008	34,975,000	941,630	35,916,630	2,740,389,897	0.42%	1,014
2007	40,897,706	1,382,706	42,280,412	2,577,404,428	0.52%	1,191
2006	43,820,000	1,400,079	45,220,079	2,354,422,964	0.61%	1,274
2005	47,560,000	1,773,481	49,333,481	2,101,536,614	0.75%	1,389
2004	40,425,000	-	40,425,000	1,962,192,004	0.68%	1,138

NORTH SHORE SCHOOL DISTRICT 112

Computation of Direct and Overlapping Debt

June 30, 2013

	Gross Bonded Debt <u>Outstanding</u>	Overlapping Percent	<u>Applicable to District</u>
Taxing Authority			
Lake County Forest Preserve	\$ 305,415,000 (2)	9.086 %	\$ 27,750,007
Deerfield	55,830,000	0.318	177,539
Highland Park	12,100,000 (3)	96.753	11,707,113
Highwood	3,800,000 (1)	100.000	3,800,000
Deerfield Park District	2,745,000 (1)(3)	0.341	9,360
Township High School District 113	14,900,000	56.440	8,409,560
Community College #532	<u>20,535,000 (4)</u>	9.576	<u>1,966,432</u>
Total Overlapping Bonded Debt	415,325,000		53,820,011
Direct Debt			
North Shore Schools - District 112	<u>1,765,000 (1) (4)</u>	100.000 %	<u>1,765,000</u>
Total Overlapping and Direct Debt	<u>\$ 417,090,000</u>		<u>\$ 55,585,011</u>

Source of Information - Office of Lake County Clerk

- (1) Excludes principal amounts of outstanding General Obligation Alternate Revenue Source Bonds which are expected to be paid from sources other than general taxation.
- (2) Includes original principal amounts of outstanding General Obligation Capital Appreciation Bonds.
- (3) Excludes self-supporting bonds for which abatements are filed annually.
- (4) Excludes outstanding Debt Certificates

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

NORTH SHORE SCHOOL DISTRICT 112

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assessed Valuation	\$ 2,223,675,650	\$ 2,390,360,103	\$ 2,622,779,816	\$ 2,775,758,242
Statutory Debt Limitation (6.9% of assessed valuation)	153,433,620	164,934,847	180,971,807	191,527,319
Bonded Debt June 30	<u>8,108,558</u>	<u>14,795,594</u>	<u>18,941,867</u>	<u>25,422,266</u>
Legal Bonded Debt Margin	<u>\$ 145,325,062</u>	<u>\$ 150,139,253</u>	<u>\$ 162,029,940</u>	<u>\$ 166,105,053</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	<u>5.28%</u>	<u>8.97%</u>	<u>10.47%</u>	<u>13.27%</u>

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 2,850,112,993	\$ 2,740,389,897	\$ 2,577,404,428	\$ 2,354,422,964	\$ 2,101,536,614	\$ 1,962,192,004
196,657,797	189,086,903	177,840,906	162,455,185	145,006,026	135,391,248
<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>\$ 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>15.82%</u>	<u>19.15%</u>	<u>23.00%</u>	<u>27.06%</u>	<u>33.24%</u>	<u>29.05%</u>

NORTH SHORE SCHOOL DISTRICT 112

Demographic and Economic Statistics

Last Ten Calendar Years

Calendar Year	Population		Unemployment Rate		Personal	Per Capita
	Highland Park	Highwood	Highland Park	Highwood	Income (in thousands)	Personal Income
2012	29,914	5,354	6.0	8.7	NA	NA
2011	29,763	5,405	8.6	8.6	\$39,305,689	55,656
2010	32,557	4,150	5.9	10.5	37,975,785	53,905
2009	31,516	5,382	2.3	5.6	37,167,898	53,018
2008	31,457	5,414	4.5	6.6	40,846,663	58,573
2007	29,772	5,645	2.9	1.4	38,655,981	55,781
2006	31,365	4,143	2.8	NA	37,259,357	54,008
2005	31,365	4,143	3.1	NA	34,703,800	50,705
2004	31,365	4,143	3.8	NA	33,162,739	48,932
2003	31,365	4,143	4.0	NA	31,517,421	47,128

Source of Information: * Population: Quickfacts.Census.Gov
 * Unemployment Rate: Homefacts.com
 Prior years: U.S. Census Data, Sperling's Best places website
 Personal Income and Per Capital Personal Income:
 Bureau of Economic Analysis.gov

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

NA - not available

NORTH SHORE SCHOOL DISTRICT 112

Principal Nonpublic Employers
Current Year and Three Years Ago

<u>Employer</u>	<u>2013</u> Employees	<u>Percentage</u> of Total <u>Employment</u>	<u>2010</u> Employees	<u>Percentage</u> of Total <u>Employment</u>
Highland Park Hospital	1,020	6.1 %	1,200	6.9 %
Highland Park Park District	806	4.8	-	-
School District No. 112	611	3.7	-	-
North Suburban Special Education District	516	3.1	-	-
Ravina Festival	510	3.0	620	3.6
City of Highland Park	279	1.7	-	-
Jewel Osco	189	1.1	-	-
Target	180	1.1	-	-
Sunset Foods	145	0.9	-	-
J II Inc.	-	-	182	1.1
Opportunity Medical	-	-	165	1.0
Pickus Construction Company	-	-	100	0.6
Skokie Valley Laundry & Cleaners	-	-	91	0.5

Sources: (1) 2013 Illinois Manufacturers' News Directory

(2) 2013 Illinois Services Directory

(3) 2012 Harris Illinois Industrial Directory

(4) Phone Canvass

(5) Illinois Department of Employment Security: 2012 total number employed is 16,722:

Highland Park - 14,341; Highwood - 2,381

The directories listed above actually list the number of employees in 2012 in their 2013 books.

Note: 2010 is the most recent information 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Instruction										
Total instruction	<u>465</u>	<u>482</u>	<u>477</u>	<u>486</u>	<u>461</u>	<u>443</u>	<u>451</u>	<u>435</u>	<u>428</u>	<u>464</u>
Support Services										
Total support services	<u>155</u>	<u>149</u>	<u>153</u>	<u>158</u>	<u>155</u>	<u>144</u>	<u>135</u>	<u>146</u>	<u>148</u>	<u>145</u>
Community Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>2</u>	<u>-</u>
Total	<u>620</u>	<u>631</u>	<u>630</u>	<u>644</u>	<u>616</u>	<u>587</u>	<u>586</u>	<u>582</u>	<u>578</u>	<u>609</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

Fiscal Year	Average Daily Attendance	Operating Expenditures	Cost Per Pupil	Percentage Change	Expenses	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil-Teacher Ratio
2013	3,967	\$61,278,220	15,446	-0.83%	\$ 76,245,797	19,220	4.96%	433	9.2
2012	3,961	61,703,864	15,577	2.16%	72,540,834	18,314	-4.11%	482	8.2
2011	3,935	59,998,244	15,247	5.19%	75,153,235	19,099	3.50%	477	8.3
2010	4,073	59,038,008	14,495	2.79%	75,159,464	18,453	7.60%	459	8.9
2009	4,109	57,944,941	14,102	-0.87%	70,466,445	17,149	1.56%	428	9.6
2008	3,815	54,268,458	14,226	0.18%	64,412,553	16,886	0.56%	424	9.0
2007	3,917	55,624,748	14,201	-0.65%	65,775,534	16,792	1.76%	421	9.3
2006	3,861	55,187,860	14,294	13.43%	63,714,933	16,502	12.46%	410	9.4
2005	3,929	49,509,540	12,601	6.27%	57,654,848	14,674	1.94%	409	9.6
2004	3,951	46,849,473	11,858	3.38%	56,876,465	14,395	4.29%	375	10.6

Source of Information: District Personnel Department records
Annual Financial Report 2004-2013 (ISBE Form SD50-35/JA50-60)

NORTH SHORE SCHOOL DISTRICT 112

OPERATING INDICATORS BY FUNCTION

June 30, 2013

Function	
Instruction	
Regular and Special student enrollment	4,454
Support Services	
Pupil	
% of student population from Non-English Language Background	25
School Administration	
Average daily attendance	3,967
Fiscal	
Purchase Orders Processed	4,243
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	2,684
Avg. number of regular bus runs to/from school	64
Extra Curricular Activities	
Number of competitive sports	11
Number of student clubs	34
% of Students eligible to file for Federally funded Free or Reduced Lunches	21.77%

Source of Information:

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

NORTH SHORE SCHOOL DISTRICT 112

SCHOOL BUILDING INFORMATION

Last Ten Fiscal Years

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Elementary Schools -										
Braeside										
Square Feet ***	43,636	43,636	43,636	43,636	43,636	43,636	43,636	43,636	43,636	43,636
Enrollment ****	262	276	269	279	287	293	298	277	285	274
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	395	379	387	392	390	411	414	427	436	434
Lincoln										
Square Feet	48,471	48,471	48,471	48,471	48,471	48,471	48,471	48,471	48,471	48,471
Enrollment	261	270	271	288	282	279	275	269	283	301
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	501	489	502	516	547	531	506	493	495	500
Ravinia										
Square Feet	51,634	51,634	51,634	51,634	51,634	51,634	51,634	51,634	51,634	51,634
Enrollment	302	309	325	313	307	302	318	297	302	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	320	341	325	336	353	409	386	371	366	361
Sherwood										
Square Feet	50,863	50,863	50,863	50,863	50,863	50,863	50,863	50,863	50,863	50,863
Enrollment	358	358	371	386	389	403	390	405	410	417
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	349	355	342	357	367	343	336	334	371	373
Green Bay**										
Square Feet	60,808	60,808	60,808	60,808	60,808	60,808	60,808	60,808	60,808	60,808
Enrollment	218	232	204	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	519,189	519,189	519,189
Enrollment	2,966	3,009	2,996	3,077	3,137	3,043	2,990	2,919	2,982	2,997
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	607	579	573	599	584	567	563	601	568	568
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	410	439	467	479	493	497	489	468	461	441
Northwood										
Square Feet	83,826	83,826	83,826	83,826	83,826	83,826	83,826	83,826	83,826	83,826
Enrollment	471	443	450	434	418	405	365	366	404	419
Totals - Middle Schools										
Square Feet	333,811	333,811	333,811	333,811	333,811	333,811	333,811	333,811	333,811	333,811
Enrollment	1,488	1,461	1,490	1,512	1,495	1,469	1,417	1,435	1,433	1,428
District Totals:										
Square Feet	853,000	853,000	853,000	853,000	853,000	853,000	853,000	853,000	853,000	853,000
Enrollment	4,454	4,470	4,486	4,589	4,632	4,512	4,407	4,354	4,415	4,425

**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 FY13.

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 Master's Degree (%)	Minimum Matrix Salary	Maximum Matrix Salary	District Average Salary
2013	407	11.5	84	\$ 41,149	\$ 111,446	\$ 71,718
2012	361	11.9	80.5	41,149	110,446	71,254
2011	364	11.5	75.2	40,521	107,699	71,267
2010	374	11	72	40,001	105,329	67,226
2009	354	11	71	39,507	103,062	68,840
2008	333	11	70	38,566	100,611	66,080
2007	328	14	76	37,594	99,202	74,909
2006	326	14	76	36,103	96,318	74,169
2005	326	14	72	34,827	93,513	67,874
2004	342	14	74	33,669	90,789	61,816

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