800 word version

School District 200 by the Numbers:

The 2002 Tax Increase Wasn't Used – and The Proposed 2012 Increase Isn't Needed

The Board of School District 200 (OPRFHS) is deliberating a property tax increase to finance one of the most lavishly funded and financially viable schools in Illinois, with a final vote to take place on December 20th.

A simple review of the District's own audited financial statements over the past ten years, coupled with an analysis of the District's recently revealed projections for the next five to ten years, shows that the funds extracted from taxpayers following the 2002 levy increase were essentially *never used* for the purposes for which they were purportedly needed, and indeed have mostly sat idle and earning essentially no return as they have accumulated over the decade. The projections show, even with worst-case assumptions added for the sake of conservatism, that there is no need for another increase, and won't be for many years into the future.

The ever-increasing cache of cash. Over ten years, thanks largely to 2002's tax hike, D200's liquid assets have grown from $23 million to over $123 million. This remarkable accumulation of unused wealth strongly implies that the claimed need for the 2002 tax levy increase was, most charitably stated, ill-considered. The tax increase was not needed, and the cash flowing therefrom has merely accumulated in the District's treasury, after having been taken away from the property owners in the District, many of whom have suffered financial stress as a result of the Board's rapacious and ill-conceived actions. The very existence of such a cash stockpile would better serve as an argument for a tax *decrease* than as support for yet further taxation!

Equally disturbing from the taxpayers' perspective is the fact that this accumulation of cash has seemingly not been well-managed by the stewards for these publicly-provided funds. For example, the Board's 2012 comprehensive annual financial report shows only $459,000 in earnings on what was an average of over $110 million in investable funds, for a return of *less than one-half of one percent*. Even in today's low interest rate environment, this bespeaks poor financial management by the District. It doesn't provide confidence that further tax levies will be properly managed.

The District's current bonded debt obligations equal $18.4 million, and its *unfunded* pension obligations (at present being handled by the State, but at obvious risk for being foisted back onto the District) are $6.9 million. Even if one assumes, conservatively, that both of these obligations, totaling $25.3 million, somehow had to be immediately settled in cash, D200 would be left with *$100 million* of cash to finance its future operations. Because the District has produced surpluses in each of the past ten years, even this slightly reduced level of available cash would not be called upon for many years. To put this into perspective: the Illinois Board of Education's *School District Financial Profile* instructions define any District having over one-half of a year's expenditures in cash reserves as being in the "lowest risk" category. This means that D200 has *four times* this threshold level of financial strength right now, before yet another tax hike.

A profitable not-for-profit operation. D200 has produced large surpluses for each of the past ten years. This observation holds true whether only the largest of its funds, the Educational (or General) Fund, is viewed alone, or whether all its funds are considered together. The District's consolidated *unrestricted* net assets have grown from $4.5 million to $99.8 million over the decade. (If restricted funds are also included, net assets now total $120 million.) For perspective, consider that total expenditures for the 2012 fiscal year equaled about

$53 million. The District's current accumulated surplus could carry it for two more fiscal years, even in the absence of *any* revenue whatsoever.

The Board's latest projections do not support the present need for a tax increase. Five year financial projections recently made public purport to make the case for higher taxes, but fail abjectly in doing so. Even taking these at face value (and thus ignoring the projected needs called upon to justify the 2002 increases), these show, on a consolidated basis, that further surpluses will be generated by District 200 through 2017. Assuming that the post-2017 deficits being forecast actually do develop, the available accumulated surplus will allow the District to carry on operations and remain solvent through about 2033, even if year 2023's projected deficit continue indefinitely.

The current cash hoard of over $123 million, and the unrestricted surplus of almost $100 million, are more than adequate to carry the District for perhaps as long as another fifteen years. Another tax hike is thus entirely unjustifiable.

The author, Barry Jay Epstein, Ph.D., CPA, is a Chicago-based forensic accountant and recognized expert on financial reporting and auditing matters.