

MANHATTAN SCHOOL DISTRICT 114
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011

Report issued by:
Mr. Howard Butters
Superintendent of Schools

**MANHATTAN SCHOOL DISTRICT 114
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011**

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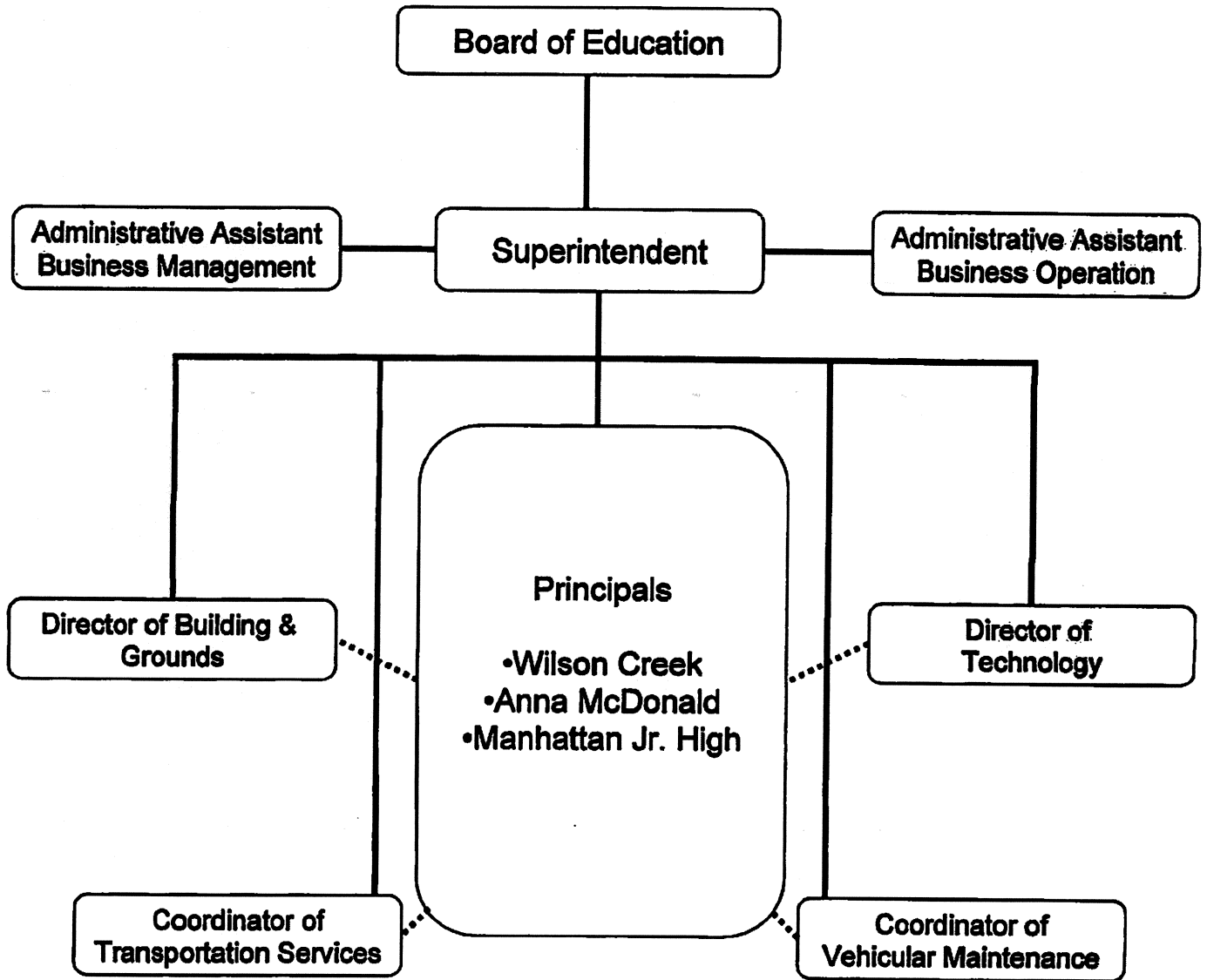
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INTRODUCTORY SECTION

**MANHATTAN SCHOOL DISTRICT 114
BOARD OF EDUCATION MEMBERS AND OFFICERS
JUNE 30, 2011**

Jeff Pietrzyk	President
Scott Mancke	Vice President
Dawn Murphy	Secretary
Lizette Boyles	Member
Dan DeCaprio	Member
Timothy Doyle	Member
Lynnae Ryan	Member

Manhattan School District 114 Administration Organizational Chart



FINANCIAL SECTION

To the Superintendent of Schools and Board of Education
Manhattan School District 114
Manhattan, Illinois

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the fiduciary fund of Manhattan School District 114, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Manhattan School District 114's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, Manhattan School District 114 prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the governmental activities, each major fund, the aggregate remaining fund information, and the fiduciary fund of Manhattan School District 114 as of June 30, 2011, and the respective changes in financial position - cash basis thereof and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting described in Note I.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2011, on our consideration of Manhattan School District 114'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* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress listed on pages v through xii and 31 and 32 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Manhattan School District 114's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules, supplementary information, and other information section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund financial statements and schedules, supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and other information 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 them.

Mullany, Pountsch, Salvador & Co., Ltd.

Orland Park, Illinois
October 3, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANHATTAN SCHOOL DISTRICT 114

MANAGEMENT'S DISCUSSION AND ANALYSIS as of and for the fiscal year ended June 30, 2011

As management of Manhattan School District 114 (the District), we offer readers of the District's Annual Financial Report this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2011.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$4,567,647 (net assets).
- Governmental activities have an unrestricted net asset deficit of (\$233,290).
- The total net assets of the District increased by \$1,434,217 during fiscal year 2011.
- Fund balance of the District's governmental funds increased by \$669,691 resulting in an ending fund balance of \$6,752,922.
- During the current fiscal year, the fund balance in the District's General Fund increased by \$393,107.
- The District's long-term obligations decreased by \$1,534,273 to \$25,440,529 as a result of current year scheduled payments on the debt.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements presented on pages 1 - 30 are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to basic financial statements. This report also contains combining and individual fund financial statements and schedules and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader of the District's Annual Financial Report a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net assets arising from cash transactions and the statement of activities arising from cash transactions.

The statement of net assets arising from cash transactions presents information about all of the District's assets and liabilities as reported using the cash basis of accounting. The difference between assets and liabilities is reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities arising from cash transactions presents information showing how the net assets of the District changed during the current fiscal year. Changes in net assets are recorded in the statement of activities using the cash basis of accounting.

The cash basis of accounting is described in the notes to basic financial statements.

Both of the government-wide financial statements distinguish functions of the District that are supported from taxes and intergovernmental revenues (governmental activities). Governmental activities consolidate governmental funds including general, special revenue, debt service and capital projects funds.

The government-wide financial statements can be found on pages 1 - 2 of this report.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. Fund financial statements for the District include governmental funds and fiduciary funds.

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, reconciliation is provided in the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The District maintains five different governmental funds. The major funds are the General Fund and the Debt Services Fund. They are presented separately in the fund financial statements with the remaining governmental funds combined into a single aggregated presentation labeled other nonmajor governmental funds. Individual fund information for the nonmajor funds is presented in the combining and individual fund financial statements and schedules section of this report.

The District adopts an annual budget for each of the governmental funds. A budgetary comparison statement for the General Fund is included in the basic financial statements section of this report to demonstrate compliance with the adopted budget. The remaining governmental funds budgetary comparisons are reported in the combining and individual fund financial statements and schedules section of this report.

The basic governmental fund financial statements can be found on pages 3 - 10 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 11 - 30 of this report.

Government-wide Financial Analysis

The assets of the District are classified as cash, investments and capital assets. Cash and investments are current assets. These assets are available to provide resources for the near-term operations of the District.

Capital assets are used in the operations of the District. These are land, land improvements, buildings, equipment, and vehicles. Capital assets are discussed in greater detail in the section titled "Capital Assets and Debt Administration," elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include short-term debt obligations. Long-term liabilities such as long-term debt obligations will be liquidated from resources that will become available after fiscal 2012.

The assets of the District's activities exceed liabilities by \$4,567,647 with an unrestricted deficit of (\$233,290). Total net assets of the District do not include internal balances.

A net investment of \$1,982,789 in land, land improvements, buildings, equipment, and vehicles to provide services to the District's students represents 43 percent of the District's net assets. Net assets of \$1,847,336 has been accumulated to fund future operation and maintenance requirements, \$570,235 has been accumulated to fund future transportation requirements, and \$400,577 has been accumulated for other purposes to assist the District in managing its cash flow requirements during the year.

The net assets of the District as of June 30, 2011 and 2010 are summarized as follows:

Manhattan School District 114
 Net Assets
 as of June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets:		
Current assets	\$ 6,752,922	\$6,083,231
Capital assets	<u>23,255,254</u>	<u>24,025,001</u>
Total assets	<u>30,008,176</u>	<u>30,108,232</u>
Liabilities:		
Current liabilities	1,180,416	1,188,343
Noncurrent liabilities	<u>24,260,113</u>	<u>25,786,459</u>
Total liabilities	<u>25,440,529</u>	<u>26,974,802</u>
Net assets:		
Invested in capital assets, net of related debt	1,982,789	1,668,178
Restricted	2,818,148	2,235,429
Unrestricted	<u>(233,290)</u>	<u>(770,177)</u>
Total net assets	<u>\$4,567,647</u>	<u>\$ 3,133,430</u>

Government-wide Activities

Governmental activities increased the net assets of the District by \$1,434,217. Changes in net assets of the District for years ended June 30, 2011 and 2010 are as follows:

Manhattan School District 114
Changes in Net Assets
for the fiscal years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 313,971	\$ 312,663
Operating grants and contributions	3,014,635	2,702,070
General revenues:		
Property taxes	9,040,739	8,994,662
Personal property replacement taxes	143,027	115,943
General state aid	993,364	1,303,648
Unrestricted investment earnings	26,837	47,507
Other revenues	<u>200,544</u>	<u>133,435</u>
Total revenues	<u>13,733,117</u>	<u>13,609,928</u>
Expenses:		
Governmental activities:		
Instructional	6,247,593	6,608,985
Pupil support	625,765	664,284
Other support	3,280,291	3,623,570
Transportation	786,268	766,588
Administration	650,981	726,490
Interest	<u>708,002</u>	<u>635,153</u>
Total expenses	<u>12,298,900</u>	<u>13,025,070</u>
Increase in net assets	1,434,217	584,858
Net assets at beginning of year	<u>3,133,430</u>	<u>2,548,572</u>
Net assets at end of year	<u>\$4,567,647</u>	<u>\$3,133,430</u>

Key elements of the change in net assets for governmental activities are as follows:

- General state aid revenues decreased by \$310,284 over the prior year to \$993,364.
- State and Federal grants increased by \$363,155 to \$1,948,703.
- Expenses, excluding on behalf payments, decreased by \$675,658 from the prior year.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$6,752,922. Forty-two percent or \$2,818,148 of this total is restricted due to external limitations on its use. These uses include operations and maintenance (\$1,847,336), tort immunity (\$107,849), transportation (\$570,235), Municipal Retirement/Social Security (\$192,245), and fire prevention and safety (\$100,483). One percent or \$82,742 has been assigned meaning there are limitations on its intended use. The assigned uses include transportation (\$63,709), Municipal Retirement/Social Security (\$9,068), and fire prevention and safety (\$9,965). The remaining fifty-seven percent or \$3,852,032 is unassigned.

The General Fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,852,032, while total fund balance was \$5,807,217. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents thirty-nine percent of total General Fund expenditures, while total fund balance represents fifty-nine percent of that same amount.

The Debt Services Fund has \$0 accumulated to make future principal and interest payments. The District will transfer funds from the Educational Fund to the Debt Service Fund to make the payments.

General Fund Budgetary Highlights

The original budget as passed by the Board of Education was not amended during the year.

Excluding the State's on behalf payment, actual revenue was \$554,120 higher than the final budget. Expenditures, excluding on behalf payments, were lower than budget by \$589,413.

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2011 amounted to \$1,982,789 (net of accumulated depreciation and related outstanding debt). This investment in capital assets included land, improvements, buildings, equipment and vehicles. The decrease in capital assets during the year ended June 30, 2011 of \$772,696 was entirely comprised of depreciation expense.

Capital Assets (net of accumulated depreciation) June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Land	\$ 4,519,365	\$ 4,519,365
Improvements	206,605	328,611
Buildings	17,890,370	18,438,768
Equipment	454,984	503,501
Vehicles	<u>183,930</u>	<u>234,756</u>
Total capital assets	<u>\$23,255,254</u>	<u>\$24,025,001</u>

Additional information on the District's capital assets can be found in the notes to basic financial statements.

Long-term Debt. At June 30, 2011, the District had total bonded debt outstanding of \$13,585,019 and deferred amounts of \$11,855,510.

Total long-term debt for the District decreased during the current fiscal year based on payments made according to the normal schedule of payments.

District Growth and Success

Manhattan School District 114 continues to be committed to providing quality educational programs for students while exercising cost containment measures in the operating budget. In the spring of 2011 the school district received Financial Recognition status from the State of Illinois. This is the highest ranking that an Illinois school district can receive.

Although the District is ranked in the bottom quartile of the state in funding, the students demonstrate a high degree of academic success. This success is attributed to the dedication of our education and support staff, supportive parents, committed Board of Education, and caring community.

Manhattan School District is currently experiencing a slight decline in student enrollment. This reflects a significant departure from recent year growth rates, which resulted in the District growing by as much as 8% per year. The District, which encompasses approximately 32 square miles, contains sixteen (16) recently approved subdivisions in various stages of development. In addition, another eleven (11) subdivisions are proposed for sometime in the future. These twenty-seven (27) subdivisions could equate into an additional increase of nearly five thousand (5,000) students. The District currently serves approximately one thousand two hundred forty (1,240) children. When the economy begins to improve there is no doubt that the District enrollment will begin to grow, perhaps once again at a rapid rate.

Future Issues

Recognizing the concern for the rise in property taxes, the District continues to work closely with the Village of Manhattan to diversify the tax base. Additional commercial and industrial growth continues to be actively sought. Currently, the majority of the District's funds come from property taxes. With little commercial and industrial facilities, the major share of the tax burden currently rests with the homeowners. At the same time, the District will also work closely with our state legislators and Governor to find a better and more equitable way to fund education for not only our children, but for all the children.

The Illinois Property Tax Extension Limitation Act will once again have a stranglehold on the revenue stream of the District. Barring a significant change in the way schools are funded in Illinois, the District will need to be vigilant in handling the increased costs associated with providing our students a quality educational program.

The District continually uses a strategic financial tool, "StratPlan" to project future revenues and expenditures. This software provides the administration and Board of Education with the ability to evaluate and project the impact of anticipated changes in revenues and expenditures.

The Budget for the year ending June 30, 2011 has been carefully constructed to make the best use of the funds that the District receives. It is structured to utilize our revenues to maintain high quality programs for students while establishing reasonable fund balances.

Closing Statement

The administration of Manhattan School District 114 hopes that the information contained in this report will provide the citizens and Board of Education of Manhattan School District 114, outside investors, and interested parties with meaningful financial data, presented accurately and comprehensively. It is hoped that all readers of this report will obtain a clear and concise picture of the District's financial condition as of June 30, 2011.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Office of the Superintendent
Manhattan School District 114
25440 S. Gougar Road
Manhattan, IL 60442

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**MANHATTAN SCHOOL DISTRICT 114
STATEMENT OF NET ASSETS
ARISING FROM CASH TRANSACTIONS -
GOVERNMENTAL ACTIVITIES
JUNE 30, 2011**

ASSETS

Equity in pooled cash and investments	\$	3,107,922
Investments		3,645,000
Capital assets not being depreciated:		
Land		4,519,365
Capital assets net of accumulated depreciation:		
Land improvements		206,605
Buildings		17,890,370
Equipment		454,984
Vehicles		<u>183,930</u>
 Total assets		 <u>30,008,176</u>

LIABILITIES

Noncurrent liabilities:		
Due within one year		1,180,416
Due in more than one year		<u>24,260,113</u>
 Total liabilities		 <u>25,440,529</u>

NET ASSETS

Invested in capital assets, net of related debt		1,982,789
Restricted for:		
Operations and maintenance		1,847,336
Transportation		570,235
Other purposes		400,577
Unrestricted		<u>(233,290)</u>
 Total net assets		 <u>\$ 4,567,647</u>

See notes to basic financial statements.

**MANHATTAN SCHOOL DISTRICT 114
STATEMENT OF ACTIVITIES
ARISING FROM CASH TRANSACTIONS
YEAR ENDED JUNE 30, 2011**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Functions/programs:				
Governmental activities:				
Instructional	\$ 6,247,593	\$ 158,120	\$ 2,456,724	\$ (3,632,749)
Pupil support	625,765	-	-	(625,765)
Other support	3,280,291	147,290	63,799	(3,069,202)
Transportation	786,268	8,561	494,112	(283,595)
Administration	650,981	-	-	(650,981)
Interest expense	<u>708,002</u>	<u>-</u>	<u>-</u>	<u>(708,002)</u>
Total governmental activities	<u>\$ 12,298,900</u>	<u>\$ 313,971</u>	<u>\$ 3,014,635</u>	<u>(8,970,294)</u>
General revenues:				
Taxes:				
Property				9,040,739
Personal property replacement				143,027
General state aid				993,364
Earnings on investments				26,837
Other income				<u>200,544</u>
Total general revenues				<u>10,404,511</u>
Change in net assets				1,434,217
Net assets at beginning of year				<u>3,133,430</u>
Net assets at end of year				<u>\$ 4,567,647</u>

See notes to basic financial statements.

FUND FINANCIAL STATEMENTS

**MANHATTAN SCHOOL DISTRICT 114
STATEMENT OF ASSETS AND FUND BALANCES ARISING
FROM CASH TRANSACTIONS - GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General</u>	<u>Debt Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Equity in pooled cash and investments	\$ 2,162,217	\$ -	\$ 945,705	\$ 3,107,922
Investments	<u>3,645,000</u>	<u>-</u>	<u>-</u>	<u>3,645,000</u>
Total assets	<u>\$ 5,807,217</u>	<u>\$ -</u>	<u>\$ 945,705</u>	<u>\$ 6,752,922</u>
FUND BALANCES				
Restricted	\$ 1,955,185	\$ -	\$ 862,963	\$ 2,818,148
Assigned	-	-	82,742	82,742
Unassigned	<u>3,852,032</u>	<u>-</u>	<u>-</u>	<u>3,852,032</u>
Total fund balances	<u>\$ 5,807,217</u>	<u>\$ -</u>	<u>\$ 945,705</u>	<u>\$ 6,752,922</u>

See notes to basic financial statements.

**MANHATTAN SCHOOL DISTRICT 114
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS TO THE
STATEMENT OF NET ASSETS ARISING FROM CASH TRANSACTIONS
JUNE 30, 2011**

Total fund balances - governmental funds	\$ 6,752,922
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Amounts reported for governmental activities in the statement of net assets arising from cash transactions are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	23,255,254
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Long-term liabilities, including bonds payable, are not due and payable in the current year and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	\$ (13,585,019)
Deferred amount from issuance premium	<u>(11,855,510)</u>

Total	<u>(25,440,529)</u>
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Total net assets - governmental activities	<u>\$ 4,567,647</u>
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See notes to basic financial statements.

MANHATTAN SCHOOL DISTRICT 114
STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCES ARISING FROM
CASH TRANSACTIONS - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Debt Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Local sources:				
Property taxes	\$ 8,266,458	\$ -	\$ 774,281	\$ 9,040,739
Investment income	25,077	-	1,760	26,837
Other	<u>635,690</u>	<u>-</u>	<u>21,774</u>	<u>657,464</u>
Total local sources	<u>8,927,225</u>	<u>-</u>	<u>797,815</u>	<u>9,725,040</u>
State sources:				
General state aid	993,364	-	-	993,364
Grants-in-aid	<u>891,144</u>	<u>-</u>	<u>494,112</u>	<u>1,385,256</u>
Total state sources	<u>1,884,508</u>	<u>-</u>	<u>494,112</u>	<u>2,378,620</u>
Federal sources:				
Grants-in-aid	<u>563,447</u>	<u>-</u>	<u>-</u>	<u>563,447</u>
On behalf revenues	<u>1,066,010</u>	<u>-</u>	<u>-</u>	<u>1,066,010</u>
Total revenues	<u>12,441,190</u>	<u>-</u>	<u>1,291,927</u>	<u>13,733,117</u>
Expenditures:				
Current:				
Instruction	5,590,654	-	79,443	5,670,097
Support services	2,859,501	-	800,161	3,659,662
Community services	21,557	-	-	21,557
Payments to other districts and government units	1,373,299	-	96,536	1,469,835
Debt service:				
Principal	22,135	1,144,580	21,628	1,188,343
Interest	<u>221</u>	<u>1,042,789</u>	<u>10,922</u>	<u>1,053,932</u>
Total expenditures	<u>9,867,367</u>	<u>2,187,369</u>	<u>1,008,690</u>	<u>13,063,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,573,823</u>	<u>(2,187,369)</u>	<u>283,237</u>	<u>669,691</u>

See notes to basic financial statements.

	<u>General</u>	<u>Debt Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):				
Transfers in	-	2,180,716	-	2,180,716
Transfers out	<u>(2,180,716)</u>	<u>-</u>	<u>-</u>	<u>(2,180,716)</u>
Total other financing sources (uses)	<u>(2,180,716)</u>	<u>2,180,716</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>393,107</u>	<u>(6,653)</u>	<u>283,237</u>	<u>669,691</u>
Fund balances at beginning of year:				
As previously reported	3,363,883	6,653	662,468	4,033,004
Reclassification of the Working Cash Fund into the General Fund due to implementation of GASB 54	<u>2,050,227</u>	<u>-</u>	<u>-</u>	<u>2,050,227</u>
As restated	<u>5,414,110</u>	<u>6,653</u>	<u>662,468</u>	<u>6,083,231</u>
Fund balances at end of year	<u>\$ 5,807,217</u>	<u>\$ -</u>	<u>\$ 945,705</u>	<u>\$ 6,752,922</u>

**MANHATTAN SCHOOL DISTRICT 114
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES RECEIVED, EXPENDITURES PAID AND CHANGES IN FUND
BALANCES ARISING FROM CASH TRANSACTIONS TO THE STATEMENT OF
ACTIVITIES ARISING FROM CASH TRANSACTIONS
YEAR ENDED JUNE 30, 2011**

Total net change in fund balances - governmental funds	\$	669,691
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Amounts reported for governmental activities in the statement of activities arising from cash transactions are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities arising from cash transactions the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$772,696) exceeded capitalized expenditures (\$2,949) in the current period.		(769,747)
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The issuance of long-term debt (e.g., bonds, debt certificates, loans payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt uses the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities arising from cash transactions. The effects of these differences in the treatment of long-term debt and related items are as follows:

Repayment of long-term principal	\$	1,188,343	
Amortization of bond premium		<u>345,930</u>	
Total			<u>1,534,273</u>
Change in net assets of governmental activities	\$		<u><u>1,434,217</u></u>

See notes to basic financial statements.

**MANHATTAN SCHOOL DISTRICT 114
STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID AND
CHANGES IN FUND BALANCES ARISING FROM CASH TRANSACTIONS -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Local sources:			
Property taxes	\$ 8,278,391	\$ 8,266,458	\$ (11,933)
Investment income	46,000	25,077	(20,923)
Other	515,983	635,690	119,707
Total local sources	8,840,374	8,927,225	86,851
State sources:			
General state aid	994,796	993,364	(1,432)
Grants-in-aid	522,819	891,144	368,325
Total state sources	1,517,615	1,884,508	366,893
Federal sources:			
Grants-in-aid	463,071	563,447	100,376
On behalf revenues	-	1,066,010	1,066,010
Total revenues	10,821,060	12,441,190	1,620,130
Expenditures:			
Current:			
Instruction	4,905,930	5,590,654	(684,724)
Support services	2,930,840	2,859,501	71,339
Community services	17,000	21,557	(4,557)
Payments to other districts and government units	1,537,000	1,373,299	163,701
Debt service:			
Principal	-	22,135	(22,135)
Interest	-	221	(221)
Total expenditures	9,390,770	9,867,367	(476,597)

See notes to basic financial statements.

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess of revenues over expenditures	1,430,290	2,573,823	1,143,533
Other financing uses:			
Transfers out	<u>(2,180,716)</u>	<u>(2,180,716)</u>	<u>-</u>
Net change in fund balances	<u>(750,426)</u>	<u>393,107</u>	<u>1,143,533</u>
Fund balances at beginning of year:			
As previously reported	3,363,883	3,363,883	-
Reclassification of the Working Cash Fund into the General Fund due to implementation of GASB 54	<u>2,050,227</u>	<u>2,050,227</u>	<u>-</u>
As restated	<u>5,414,110</u>	<u>5,414,110</u>	<u>-</u>
Fund balances at end of year	<u>\$ 4,663,684</u>	<u>\$ 5,807,217</u>	<u>\$ 1,143,533</u>

**MANHATTAN SCHOOL DISTRICT 114
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES ARISING
FROM CASH TRANSACTIONS - STUDENT ACTIVITY AGENCY FUND
JUNE 30, 2011**

ASSETS

Cash	<u>\$ 67,780</u>
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LIABILITIES

Due to student activity funds	<u>\$ 67,780</u>
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See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

MANHATTAN SCHOOL DISTRICT 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Manhattan School District 114 is governed by the Board of Education and provides primary education, transportation, building maintenance and general administrative services.

These financial statements include the District and its component units, entities for which the District is considered to be financially accountable. At June 30, 2011, no entities were considered component units of the District.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets arising from cash transactions and the statement of activities arising from cash transactions) report information on all of the nonfiduciary activities of the District. *Governmental activities* are those that are primarily supported by taxes and intergovernmental revenues.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the cash basis of accounting, as are the fiduciary fund financial statements. Under that basis, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. That basis differs from accounting principles generally accepted in the United States of America primarily because the District has not recognized receivables from revenues such as property taxes, entitlements and investment income, and payables to personnel and vendors and their related effects on operations of the District in the accompanying financial statements.

Governmental fund financial statements are reported using the cash basis of accounting under guidelines prescribed by the Illinois State Board of Education. Accordingly, revenue is recognized and recorded when cash is received. In the same manner expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists arising from a previous cash transaction. In a similar manner, liabilities are recorded from previous cash transactions.

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It is comprised of four subfunds - the Educational Fund, the Operations and Maintenance Fund, the Tort Fund, and the Working Cash Fund. These funds account for activities that are not specifically accounted for in another fund.

The Debt Services Fund accounts for the accumulation of resources for and the payment of long-term debt principal, interest and related costs.

The District has the following nonmajor governmental funds:

Special revenue funds:

This fund type is used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The District's nonmajor special revenue funds are the Transportation Fund and the Municipal Retirement Fund.

Capital projects fund:

The Fire Prevention and Safety Fund accounts for the receipt and disbursement of monies used to improve the safety of capital facilities.

Additionally, the District reports the following fiduciary fund type:

The Student Activity Fund, an agency fund, accounts for assets held by the District as an agent for the students and teachers. The fund is custodial in nature and does not involve the measurement of results of operations. The amounts due to the activity fund organizations are equal to the assets.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to students for goods or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Illinois statutes authorize the District to invest in U.S. government, State of Illinois and municipal securities; certificates of deposit or time savings deposits insured by the FDIC; mortgage notes, bonds or debentures issued by the Federal Housing Administration; bonds and other obligations of the Federal National Mortgage Association; and certain short-term obligations of U.S. corporations.

**MANHATTAN SCHOOL DISTRICT NO. 114
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2011**

Cash and investments of the District are pooled into a common pooled account in order to maximize investment opportunities. Each fund whose monies are deposited into the pooled account has equity herein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's equity in the pooled account is available upon demand and is considered to be a cash equivalent when preparing these financial statements. Each fund's portion of the pool is displayed on its respective statement of assets and fund balance arising from cash transactions as "equity in pooled cash and investments." In addition, non-pooled cash and investments are separately held and reflected in the respective funds as "cash" and "investments."

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Cash deposits are reported at carrying amount which reasonably estimates fair value. The reported value of the Illinois Funds and the Illinois School District Liquid Asset Fund is the same as the fair value of each Fund's shares.

2. Capital Assets

Capital assets, which include land, land improvements, buildings, equipment and vehicles, reported in the government-wide financial statements are defined by the District as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and 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 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 the asset's life 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>
Land improvements	20-50
Buildings	40
Equipment	5-20
Vehicles	8

3. Long-term Obligations

All long-term debt obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. Long-term debt includes bonds and loans payable.

In the government-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. Fund Equity

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an individual or body to which the District delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Beginning fund balances for the District's governmental funds have been restated to reflect the above classifications.

The Board of Education establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Education through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

5. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses/expenditures. Actual results could differ from those estimates.

6. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

7. Subsequent Events

Management has evaluated subsequent events through October 3, 2011, which is the date the financial statements were available to be issued.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The budget is prepared on the cash basis of accounting for all governmental funds, which is an acceptable method as prescribed by the Illinois State Board of Education and is the same basis that is used for financial reporting. This allows for comparability between budget and actual amounts. The budget appropriations lapse at the end of each fiscal year. The District does not utilize an encumbrance system. The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. 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.
2. Public hearings are conducted and the proposed budget is available for inspection to obtain taxpayer comments.
3. Prior to September 30, the budget is legally adopted through passage of a resolution. Prior to the last Tuesday in December, a tax levy resolution is filed with the County Clerk to obtain tax revenues.

**MANHATTAN SCHOOL DISTRICT NO. 114
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2011**

4. The Superintendent is authorized to transfer up to 10% of the total budget between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year.
6. The Board of Education may amend the budget (in other ways) by the same procedures required of its original adoption.

B. Excess Expenditures over Budget

The following funds had an excess of actual expenditures over the budgeted amount for the year ended June 30, 2011:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General subfund:			
Educational Fund	\$ 8,270,770	\$ 8,805,536	\$ (534,766)
Nonmajor governmental fund:			
Transportation Fund	755,000	770,941	(15,941)

The overexpenditures in the Educational Fund and the Transportation Fund were funded by greater than anticipated revenues.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for custodial credit risk. As of June 30, 2011, \$1,810,026 of the District's bank balances of \$3,160,349 was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging financial institutions	<u>\$ 1,810,026</u>
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**MANHATTAN SCHOOL DISTRICT NO. 114
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2011**

Investments

The District had the following investments as of June 30, 2011:

<u>Type of Investment</u>	<u>Fair Value/ Carrying Amount</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Non-pooled investments:			
Certificates of deposit (3)	<u>\$ 3,645,000</u>	N/A	107

- (1) Ratings are provided where applicable to indicate associated *Credit Risk*. N/A indicates not applicable.
- (2) *Interest Rate Risk* is estimated using weighted average days to maturity.
- (3) Pooled cash and investments are reported as *equity in pooled cash and investments*. Investments in the pool are not separately reported in the financial statements as ownership of investments cannot be assigned to individual funds including fiduciary funds. Therefore, total investments may not agree to the financial statements.

Investment Policies

The District's investments are subject to the following risks:

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy requires diversification of the investment portfolio to minimize risk of loss from over-concentration in a particular type of security, risk factor, issuer, or maturity. The investment policy requires that the Board of Education receive a report detailing the current investments on a quarterly basis to review compliance with the objectives of the policy.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the investment in specific investments based on their rating by either of the two nationally recognized statistical rating organizations. The District's investment policy incorporates the restrictions on investments as outlined in the Illinois Compiled Statutes Section 235/2.5(a) (1). Additionally, investments in corporate paper are further restricted and cannot comprise more than ten percent of the total investment portfolio.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy does not limit the 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 become due. A portion of the portfolio is required to be invested in readily available funds to ensure proper liquidity.

**MANHATTAN SCHOOL DISTRICT NO. 114
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2011**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment 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 all investments, not secured by the federal government, to be secured at 110% of the investment's fair value.

B. Property Taxes

The District's property tax is levied each year on all taxable real property located in the District on or before the last day of December. The lien date for the levy is January 1. The Board of Education approved the 2010 levy on January 11, 2011. Property taxes are payable in two installments on June 1 and September 1 of the following year. The District receives significant distributions of tax receipts approximately one month after these due dates.

C. Interfund Transfers

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General subfund: Educational Fund	Debt Services Fund	<u>\$ 2,180,716</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers are also used to move unrestricted revenues collected in the Working Cash Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>\$ 4,519,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,519,365</u>
Capital assets being depreciated:				
Land improvements	960,467	-	-	960,467
Buildings	25,138,009	-	-	25,138,009
Equipment	2,720,677	2,949	-	2,723,626
Vehicles	<u>833,852</u>	<u>-</u>	<u>-</u>	<u>833,852</u>
Total capital assets being depreciated	<u>29,653,005</u>	<u>2,949</u>	<u>-</u>	<u>29,655,954</u>

**MANHATTAN SCHOOL DISTRICT NO. 114
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2011**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Land improvements	631,856	122,006	-	753,862
Buildings	6,699,241	548,398	-	7,247,639
Equipment	2,217,176	51,466	-	2,268,642
Vehicles	<u>599,096</u>	<u>50,826</u>	-	<u>649,922</u>
Total accumulated depreciation	<u>10,147,369</u>	<u>772,696</u>	-	<u>10,920,065</u>
Total capital assets being depreciated, net	<u>19,505,636</u>	<u>(769,747)</u>	-	<u>18,735,889</u>
Governmental activities capital assets, net	<u>\$ 24,025,001</u>	<u>\$ (769,747)</u>	<u>\$ -</u>	<u>\$ 23,255,254</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Instructional	\$ 577,495
Pupil support	36,094
Other support	72,187
Transportation	50,826
Administration	<u>36,094</u>
Total depreciation expense - governmental activities	<u>\$ 772,696</u>

E. Long-term Debt

Schedules of debt outstanding at June 30, 2011 are as follows:

Bonds Payable

School Bonds 2004A GO Refunding Bonds
Issue November 1, 2004

<u>Fiscal Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 56,163	\$ 56,163
2013	-	56,163	56,163
2014	155,000	56,163	211,163
2015	545,000	49,808	594,808
2016	<u>600,000</u>	<u>26,100</u>	<u>626,100</u>
Total	<u>\$ 1,300,000</u>	<u>\$ 244,397</u>	<u>\$ 1,544,397</u>

**MANHATTAN SCHOOL DISTRICT NO. 114
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2011**

Denomination	\$5,000
Bonds due each year	January 1st
Interest dates	January 1st and July 1st
Interest rate	4.324%
Paying agent	The Bank of New York Trust Company Dallas, Texas
Total original issue	\$1,300,000

School Bonds 2004B GO Refunding Bonds
Issue November 1, 2004

<u>Fiscal Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 415,000	\$ 44,394	\$ 459,394
2013	425,000	29,868	454,868
2014	<u>335,000</u>	<u>13,400</u>	<u>348,400</u>
Total	<u>\$ 1,175,000</u>	<u>\$ 87,662</u>	<u>\$ 1,262,662</u>

Denomination	\$5,000
Bonds due each year	January 1st
Interest dates	January 1st and July 1st
Interest rates	2.8% to 4.0%
Paying agent	The Bank of New York Trust Company Dallas, Texas
Total original issue	\$2,525,000

MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

2004C School Bonds
Issue November 1, 2004

<u>Fiscal</u> <u>Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 615,409	\$ 514,591	\$ 1,130,000
2013	623,388	626,612	1,250,000
2014	602,831	717,169	1,320,000
2015	589,662	820,338	1,410,000
2016	829,108	1,335,892	2,165,000
2017	1,027,522	1,902,478	2,930,000
2018	987,475	2,087,525	3,075,000
2019	949,846	2,280,154	3,230,000
2020	914,240	2,480,760	3,395,000
2021	879,129	2,685,871	3,565,000
2022	844,567	2,895,433	3,740,000
2023	811,651	3,113,349	3,925,000
2024	781,110	3,343,890	4,125,000
2025	<u>125,713</u>	<u>599,287</u>	<u>725,000</u>
Total	<u>\$ 10,581,651</u>	<u>\$ 25,403,349</u>	<u>\$ 35,985,000</u>

Denomination	\$5,000
Bonds due each year	December 1st
Interest dates	December 1st
Interest rate	9.0%
Paying agent	The Bank of New York Trust Company Dallas, Texas
Total original issue	\$13,031,672

1995 GO Bonds
Issue April 1, 1995

<u>Fiscal</u> <u>Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 150,007	\$ 499,993	\$ 650,000
2013	137,371	512,629	650,000
2014	125,795	524,205	650,000
2015	<u>115,195</u>	<u>534,805</u>	<u>650,000</u>
Total	<u>\$ 528,368</u>	<u>\$ 2,071,632</u>	<u>\$ 2,600,000</u>

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

Denomination	\$5,000
Bonds due each year	December 1st
Interest dates	December 1st
Interest rate	9.0%
Paying agent	Northern Trust Company Chicago, Illinois
Total original issue	\$3,652,657

At June 30, 2011, no funds are available in the Debt Services Fund to service the above obligations.

Total annual debt service requirements to maturity for all debt outstanding are as follows:

<u>Fiscal Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,180,416	\$ 1,115,141	\$ 2,295,557
2013	1,185,759	1,225,272	2,411,031
2014	1,218,626	1,310,937	2,529,563
2015	1,249,857	1,404,951	2,654,808
2016	1,429,108	1,361,992	2,791,100
2017	1,027,522	1,902,478	2,930,000
2018	987,475	2,087,525	3,075,000
2019	949,846	2,280,154	3,230,000
2020	914,240	2,480,760	3,395,000
2021	879,129	2,685,871	3,565,000
2022	844,567	2,895,433	3,740,000
2023	811,651	3,113,349	3,925,000
2024	781,110	3,343,890	4,125,000
2025	<u>125,713</u>	<u>599,287</u>	<u>725,000</u>
Total	<u>\$ 13,585,019</u>	<u>\$ 27,807,040</u>	<u>\$ 41,392,059</u>

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ 14,729,599	\$ -	\$ 1,144,580	\$ 13,585,019	\$ 1,180,416
Deferred amount from issuance premium	12,201,440	-	345,930	11,855,510	-
Loans payable	<u>43,763</u>	<u>-</u>	<u>43,763</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 26,974,802</u>	<u>\$ -</u>	<u>\$ 1,534,273</u>	<u>\$ 25,440,529</u>	<u>\$ 1,180,416</u>

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

Defeased Debt

In prior years, the District defeased various bond issues by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the District's financial statements. As of June 30, 2011, the amount of defeased debt outstanding but removed from the financial statements totaled \$2,490,000.

F. Restatement

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, clarifies the definitions of the general fund, special revenue fund type, debt service fund type, capital projects fund type, and permanent fund type. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

In accordance with the provisions of GASB Statement No. 54, the District has reclassified the Working Cash Fund into the General Fund. Accordingly, fund balance of the General Fund has been increased by \$2,050,227 as of the beginning of the year for the effect of the reclassification required by GASB 54. The effect of the reclassification was to increase the net change in fund balance of the General Fund for the year ended June 30, 2011 by \$134,393.

G. Fund Balances

As of June 30, 2011, fund balances were comprised of the following:

	General Fund	Debt Services Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Restricted:				
Operations and maintenance	\$ 1,847,336	\$ -	\$ -	\$ 1,847,336
Tort immunity	107,849	-	-	107,849
Transportation	-	-	570,235	570,235
Municipal Retirement/Social Security	-	-	192,245	192,245
Fire prevention and safety	-	-	100,483	100,483
Assigned:				
Transportation	-	-	63,709	63,709
Municipal Retirement/Social Security	-	-	9,068	9,068
Fire prevention and safety	-	-	9,965	9,965
Unassigned	<u>3,852,032</u>	<u>-</u>	<u>-</u>	<u>3,852,032</u>
Total	<u>\$ 5,807,217</u>	<u>\$ -</u>	<u>\$ 945,705</u>	<u>\$ 6,752,922</u>

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and workers' compensation. In order to protect against such losses, the District has joined an insurance cooperative. The cooperative currently operates as a common risk management and insurance program for local governmental entities in the State of Illinois. The District pays annual premiums to the cooperative for its general insurance coverage. The agreement for formation of the cooperative provides that it will be self-sustaining through member premiums and will reinsure through commercial companies for losses in excess of various limits established for each type of coverage. The amount of coverage has not decreased nor have the amount of settlements exceeded coverage in the current year or any of the past three years.

B. Employee Retirement Systems and Plans

1. Teachers' Retirement System of the State of Illinois

The District (employer) participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the City of Chicago.

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

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2011 was 9.4 percent of the creditable earnings. The same contribution rate applies to members whose first contributing service is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2010 and 2009.

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

On behalf contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2011, State of Illinois contributions were based on 23.10 percent of creditable earnings not paid from federal funds, and the District recognized revenue and expenditures of \$1,026,891 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2010 and 2009, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 23.38 percent (\$1,077,799) and 17.08 percent (\$774,951), respectively.

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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, 2011 were \$29,340. Contributions for the years ended June 30, 2010 and 2009 were \$26,730 and \$26,315, respectively.

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

For the year ended June 30, 2011, the employer pension contribution was 23.10 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2010 and 2009, the employer contribution was 23.38 and 17.08 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2011, salaries totaling \$12,138 were paid from federal and special trust funds that required employer contributions of \$2,804. For the years ended June 30, 2010, and 2009, required District contributions were \$4,004 and \$2,822, 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 contribution is 117.5 percent and applies when the member is age 55 at retirement.

For the year ended June 30, 2011, the District paid \$0 to TRS for employer contributions under the ERO program. For the years ended June 30, 2010 and 2009, the District paid \$183,158 and \$21,749 in employer ERO contributions, respectively.

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

For the year ended June 30, 2011, the District paid \$0 to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2010 and 2009, the District paid \$11,264 and \$5,135 to TRS for employer contributions due on salary increases in excess of 6 percent, respectively.

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

**MANHATTAN SCHOOL DISTRICT NO. 114
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2011**

For the year ended June 30, 2011, the District paid \$0 to TRS for sick leave days granted in the excess of the normal annual allotment. For the years ended June 30, 2010 and 2009, the District paid \$0 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, 2010. The report for the year ended June 30, 2011 is expected to be available in late 2011.

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

2. Illinois Municipal Retirement Fund

Plan Description. The District's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The District's plan is affiliated with the Illinois Municipal Retirement 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 statute, the District's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2010 used by the employer was 10.49 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2010 was 11.16 percent. The District also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. The required contribution for fiscal year 2011 was \$104,218.

Three-Year Trend Information for the Regular Plan.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	\$ 104,218	100	\$ -
6/30/10	109,445	100	-
6/30/09	87,801	100	-

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

The required contribution for fiscal year 2011 was determined as part of the December 31, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008 included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of 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% corridor between the actuarial and market value of assets. The District's Regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the Regular plan of the District was 73.91 percent funded. The actuarial accrued liability for benefits was \$1,884,474 and the actuarial value of assets was \$1,392,208, resulting in an underfunded actuarial accrued liability (UAAL) of \$491,666. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$996,033 and the ratio of UAAL to the covered payroll was 49 percent.

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

3. Social Security

Employees not qualifying for coverage under the 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. The District paid \$59,650, the total required contribution for the current year.

4. Teacher Health Insurance Security Fund

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

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The Illinois Department of Healthcare and Family Services (HFS) and the Illinois Department of Central Management Services (CMS) administer the plan with the cooperation of TRS. The director of HFS determines the rates and premiums for annuitants and dependent beneficiaries and establishes the cost-sharing parameters. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to the TRS who are not employees of the State make a contribution to THIS.

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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

On behalf contributions to THIS Fund. The State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to THIS Fund from active members which were 0.88 percent of pay during the year ended June 30, 2011. State of Illinois contributions were \$39,119, and the District recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2010 and 2009 were 0.84 percent of pay. State contributions on behalf of District employees were \$38,723 and \$38,111, respectively.

Employer contributions to THIS Fund. The employer (District) also makes contributions to THIS Fund. The employer THIS Fund contribution was 0.66 percent during the years ended June 30, 2011 and 0.63 percent for the years ended, June 30, 2010 and 2009. For the year ended June 30, 2011, the District paid \$29,339 to the THIS Fund. For the years ended June 30, 2010 and 2009, the District paid \$29,043 and \$28,854, respectively, which was 100 percent of the required contribution.

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

5. Health Insurance Plan for Retired Employees

Plan Description. The Health Insurance Plan for Retired Employees (HIPRE) is a single-employer defined benefit healthcare plan administered by the District. The District provides limited health care insurance coverage for its eligible retired employees in accordance with the plan. The District does not issue a stand alone report for HIPRE.

Funding Policy. The contribution requirements are established by the District, using an actuarial study that is based on projected pay-as-you-go financing. For fiscal year 2011, the District contributed \$31,196 to the plan.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other post employment benefits (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 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to HIPRE:

**MANHATTAN SCHOOL DISTRICT NO. 114
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2011**

Annual required contribution	\$ 35,774
Interest on net OPEB obligation	409
Adjustment to annual required contribution	<u>(682)</u>
Annual OPEB cost (expense)	35,501
Contributions made	<u>31,196</u>
Change in net OPEB obligation	4,305
Net OPEB obligation at beginning of year	<u>14,527</u>
Net OPEB obligation at end of year	<u>\$ 18,832</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three most recent fiscal years are summarized as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/11	\$ 35,501	87.9	\$ 18,832
6/30/10	35,501	87.9	14,527
6/30/09	34,398	70.3	10,222

Funded Status and Funding Progress. As of June 30, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$444,947 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$444,947. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the UAAL to covered payroll was not available.

Actuarial valuations of an ongoing plan involve 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 basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included in the types of benefits provided at the time of each valuation and historical pattern of sharing benefits costs between the employer and plan members to that point. The actuarial 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.

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

In the June 30, 2009 actuarial valuation, the entry age method was used. The actuarial assumptions included an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.5 percent. The UAAL is being amortized as a level percentage of projected pay on an open basis. The remaining amortization period at June 30, 2009 was 30 years.

C. Jointly Governed Organization

The District, in conjunction with five other area school districts, has created the Lincoln-Way Area Special Education Cooperative. The Cooperative's board of directors is composed of one member from each of the six participating school districts. The Cooperative charged the District \$1,526,521 for special education, transportation, and related expenditures during the year ended June 30, 2011.

D. Tort Immunity Expenditures

Tort immunity expenditures for the year ended June 30, 2011 are summarized as follows:

Liability insurance	\$	39,296
Unemployment insurance		36,264
Workers' compensation		34,977
Legal fees		<u>4,281</u>
Total	\$	<u>114,818</u>

E. Concentration

Substantially all nonmanagement employees are covered under a collective bargaining agreement that expires June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

**MANHATTAN SCHOOL DISTRICT 114
 REQUIRED SUPPLEMENTARY INFORMATION -
 ILLINOIS MUNICIPAL RETIREMENT FUND
 JUNE 30, 2011**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date (1)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
December 31, 2010	\$ 1,392,808	\$ 1,884,474	\$ 491,666	73.91	\$ 996,033	49.36
December 31, 2009	1,205,430	1,704,491	499,061	70.72	998,617	49.98
December 31, 2008	1,004,391	1,484,736	480,345	67.65	919,426	52.24

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$1,479,390. On a market basis, the funded ratio would be 78.50%.

(1) Most recent information available.

**MANHATTAN SCHOOL DISTRICT 114
 REQUIRED SUPPLEMENTARY INFORMATION -
 HEALTH INSURANCE PLAN FOR RETIRED EMPLOYEES
 JUNE 30, 2011**

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date (1)</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
June 30, 2009	\$ 0	\$ 444,947	\$ 444,947	0.00	N/A	N/A

(1) Information presented above is the most current information available.

N/A - Information not available

EMPLOYER CONTRIBUTIONS

<u>Year Ended</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
June 30, 2011	\$ 35,501	87.9
June 30, 2010	35,501	87.9
June 30, 2009	34,398	70.3

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**MANHATTAN SCHOOL DISTRICT 114
GENERAL FUND
COMBINING SCHEDULE OF ASSETS AND FUND
BALANCES ARISING FROM CASH TRANSACTIONS
JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR JUNE 30, 2010**

	<u>Educational</u>	<u>Operations and Maintenance</u>	<u>Tort</u>	<u>Working Cash</u>	<u>Totals</u>	
					<u>2011</u>	<u>2010</u>
ASSETS						
Equity in pooled cash and investments	\$ 322,907	\$ 1,725,961	\$ 108,729	\$ 4,620	\$ 2,162,217	\$ 784,110
Investments	<u>665,000</u>	<u>800,000</u>	<u>-</u>	<u>2,180,000</u>	<u>3,645,000</u>	<u>4,630,000</u>
Total assets	<u>\$ 987,907</u>	<u>\$ 2,525,961</u>	<u>\$ 108,729</u>	<u>\$ 2,184,620</u>	<u>\$ 5,807,217</u>	<u>\$ 5,414,110</u>
FUND BALANCES						
Restricted	\$ -	\$ 1,847,336	\$ 107,849	\$ -	\$ 1,955,185	\$ 1,553,770
Unassigned	<u>987,907</u>	<u>678,625</u>	<u>880</u>	<u>2,184,620</u>	<u>3,852,032</u>	<u>3,860,340</u>
Total fund balances	<u>\$ 987,907</u>	<u>\$ 2,525,961</u>	<u>\$ 108,729</u>	<u>\$ 2,184,620</u>	<u>\$ 5,807,217</u>	<u>\$ 5,414,110</u>

**MANHATTAN SCHOOL DISTRICT 114
GENERAL FUND
COMBINING SCHEDULE OF REVENUES RECEIVED, EXPENDITURES PAID AND
CHANGES IN FUND BALANCES ARISING FROM CASH TRANSACTIONS
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Educational</u>	<u>Operations and Maintenance</u>	<u>Tort</u>	<u>Working Cash</u>	<u>Totals</u>	
					<u>2011</u>	<u>2010</u>
Revenues:						
Local sources:						
Property taxes	\$ 6,918,818	\$ 1,057,934	\$ 155,312	\$ 134,394	\$ 8,266,458	\$ 7,151,570
Investment income	4,577	14,310	179	6,011	25,077	33,520
Other	<u>545,170</u>	<u>90,520</u>	<u>-</u>	<u>-</u>	<u>635,690</u>	<u>551,412</u>
Total local sources	<u>7,468,565</u>	<u>1,162,764</u>	<u>155,491</u>	<u>140,405</u>	<u>8,927,225</u>	<u>7,736,502</u>
State sources:						
General state aid	993,364	-	-	-	993,364	1,117,268
Grants-in-aid	<u>641,144</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>891,144</u>	<u>663,582</u>
Total state sources	<u>1,634,508</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>1,884,508</u>	<u>1,780,850</u>
Federal sources:						
General state aid	-	-	-	-	-	186,380
Grants-in-aid	<u>563,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>563,447</u>	<u>495,001</u>
Total federal sources	<u>563,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>563,447</u>	<u>681,381</u>
On behalf revenues	<u>1,066,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,066,010</u>	<u>1,116,522</u>
Total revenues	<u>10,732,530</u>	<u>1,412,764</u>	<u>155,491</u>	<u>140,405</u>	<u>12,441,190</u>	<u>11,315,255</u>
Expenditures:						
Current:						
Instruction	<u>5,590,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,590,654</u>	<u>5,931,450</u>
Support services:						
Pupils	567,929	-	-	-	567,929	607,314
Instructional staff	110,576	-	-	-	110,576	226,795
General administration	337,080	-	114,818	-	451,898	486,320
School administration	530,525	-	-	-	530,525	524,111
Business	<u>277,808</u>	<u>920,765</u>	<u>-</u>	<u>-</u>	<u>1,198,573</u>	<u>1,240,658</u>
Total support services	<u>1,823,918</u>	<u>920,765</u>	<u>114,818</u>	<u>-</u>	<u>2,859,501</u>	<u>3,085,198</u>
Community services	<u>21,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,557</u>	<u>10,241</u>
Payments to other districts and government units	<u>1,347,051</u>	<u>26,248</u>	<u>-</u>	<u>-</u>	<u>1,373,299</u>	<u>1,519,748</u>

	<u>Educational</u>	<u>Operations and Maintenance</u>	<u>Tort</u>	<u>Working Cash</u>	<u>Totals</u>	
					<u>2011</u>	<u>2010</u>
Debt service:						
Principal	22,135	-	-	-	22,135	43,615
Interest	<u>221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221</u>	<u>1,098</u>
Total debt service	<u>22,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,356</u>	<u>44,713</u>
Total expenditures	<u>8,805,536</u>	<u>947,013</u>	<u>114,818</u>	<u>-</u>	<u>9,867,367</u>	<u>10,591,350</u>
Excess of revenues over expenditures	<u>1,926,994</u>	<u>465,751</u>	<u>40,673</u>	<u>140,405</u>	<u>2,573,823</u>	<u>723,905</u>
Other financing sources (uses):						
Transfers out	(2,180,716)	-	-	-	(2,180,716)	-
Intrafund transfers	<u>6,012</u>	<u>-</u>	<u>-</u>	<u>(6,012)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,174,704)</u>	<u>-</u>	<u>-</u>	<u>(6,012)</u>	<u>(2,180,716)</u>	<u>-</u>
Net change in fund balances, as restated for 2010	(247,710)	465,751	40,673	134,393	393,107	723,905
Fund balances at beginning of year:						
As restated for the reclassification of the Working Cash Fund into the General Fund due to implementation of GASB 54	<u>1,235,617</u>	<u>2,060,210</u>	<u>68,056</u>	<u>2,050,227</u>	<u>5,414,110</u>	<u>4,690,205</u>
Fund balances at end of year	<u>\$ 987,907</u>	<u>\$ 2,525,961</u>	<u>\$ 108,729</u>	<u>\$ 2,184,620</u>	<u>\$ 5,807,217</u>	<u>\$ 5,414,110</u>

EDUCATIONAL FUND

**MANHATTAN SCHOOL DISTRICT 114
EDUCATIONAL FUND
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2011
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2010**

ASSETS	<u>2011</u>	<u>2010</u>
Equity in pooled cash and investments	\$ 322,907	\$ 4,000
Investments	<u>665,000</u>	<u>1,400,000</u>
Total assets	<u>\$ 987,907</u>	<u>\$ 1,404,000</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to Working Cash Fund	\$ -	\$ 168,383
Fund balances:		
Unassigned	<u>987,907</u>	<u>1,235,617</u>
Total liabilities and fund balances	<u>\$ 987,907</u>	<u>\$ 1,404,000</u>

**MANHATTAN SCHOOL DISTRICT 114
EDUCATIONAL FUND
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES PAID AND
CHANGES IN FUND BALANCES ARISING FROM CASH TRANSACTIONS -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		Variance with Final Budget Positive (Negative)	2010
	Original and Final Budget	Actual		Actual
Revenues:				
Local sources:				
Property taxes	\$ 6,914,841	\$ 6,918,818	\$ 3,977	\$ 5,792,424
Investment income	17,000	4,577	(12,423)	7,605
Other	<u>422,983</u>	<u>545,170</u>	<u>122,187</u>	<u>450,110</u>
Total local sources	<u>7,354,824</u>	<u>7,468,565</u>	<u>113,741</u>	<u>6,250,139</u>
State sources:				
General state aid	994,796	993,364	(1,432)	1,117,268
Grants-in-aid	<u>522,819</u>	<u>641,144</u>	<u>118,325</u>	<u>663,582</u>
Total state sources	<u>1,517,615</u>	<u>1,634,508</u>	<u>116,893</u>	<u>1,780,850</u>
Federal sources:				
General state aid	-	-	-	186,380
Grants-in-aid	<u>463,071</u>	<u>563,447</u>	<u>100,376</u>	<u>495,001</u>
Total federal sources	<u>463,071</u>	<u>563,447</u>	<u>100,376</u>	<u>681,381</u>
On behalf revenues	<u>-</u>	<u>1,066,010</u>	<u>1,066,010</u>	<u>1,116,522</u>
Total revenues	<u>9,335,510</u>	<u>10,732,530</u>	<u>1,397,020</u>	<u>9,828,892</u>
Expenditures:				
Current:				
Instruction	<u>4,905,930</u>	<u>5,590,654</u>	<u>(684,724)</u>	<u>5,931,450</u>
Support services:				
Pupils	587,600	567,929	19,671	607,314
Instructional staff	71,100	110,576	(39,476)	226,795
General administration	343,040	337,080	5,960	391,698
School administration	537,100	530,525	6,575	524,111
Business	<u>309,000</u>	<u>277,808</u>	<u>31,192</u>	<u>297,933</u>
Total support services	<u>1,847,840</u>	<u>1,823,918</u>	<u>23,922</u>	<u>2,047,851</u>

	2011		Variance with Final Budget Positive (Negative)	2010
	Original and Final Budget	Actual		Actual
Community services	<u>17,000</u>	<u>21,557</u>	<u>(4,557)</u>	<u>10,241</u>
Payments to other districts and government units	<u>1,500,000</u>	<u>1,347,051</u>	<u>152,949</u>	<u>1,488,294</u>
Debt service:				
Principal	-	22,135	(22,135)	43,615
Interest	-	<u>221</u>	<u>(221)</u>	<u>1,098</u>
Total debt service	<u>-</u>	<u>22,356</u>	<u>(22,356)</u>	<u>44,713</u>
Total expenditures	<u>8,270,770</u>	<u>8,805,536</u>	<u>(534,766)</u>	<u>9,522,549</u>
Excess of revenues over expenditures	<u>1,064,740</u>	<u>1,926,994</u>	<u>862,254</u>	<u>306,343</u>
Other financing sources (uses):				
Transfers in	11,000	6,012	(4,988)	11,122
Transfers out	<u>(2,180,716)</u>	<u>(2,180,716)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,169,716)</u>	<u>(2,174,704)</u>	<u>(4,988)</u>	<u>11,122</u>
Net change in fund balances	(1,104,976)	(247,710)	857,266	317,465
Fund balances at beginning of year	<u>1,235,617</u>	<u>1,235,617</u>	<u>-</u>	<u>918,152</u>
Fund balances at end of year	<u>\$ 130,641</u>	<u>\$ 987,907</u>	<u>\$ 857,266</u>	<u>\$ 1,235,617</u>

OPERATIONS AND MAINTENANCE FUND

**MANHATTAN SCHOOL DISTRICT 114
 OPERATIONS AND MAINTENANCE FUND
 STATEMENT OF ASSETS AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 JUNE 30, 2011
 WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2010**

ASSETS	<u>2011</u>	<u>2010</u>
Equity in pooled cash and investments	\$ 1,725,961	\$ 380,210
Investments	<u>800,000</u>	<u>1,680,000</u>
Total assets	<u>\$ 2,525,961</u>	<u>\$ 2,060,210</u>
FUND BALANCES		
Restricted	\$ 1,847,336	\$ 1,486,415
Unassigned	<u>678,625</u>	<u>573,795</u>
Total fund balances	<u>\$ 2,525,961</u>	<u>\$ 2,060,210</u>

**MANHATTAN SCHOOL DISTRICT 114
OPERATIONS AND MAINTENANCE FUND
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES PAID AND
CHANGES IN FUND BALANCES ARISING FROM CASH TRANSACTIONS -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		Variance with Final Budget Positive (Negative)	2010
	Original and Final Budget	Actual		Actual
Revenues:				
Local sources:				
Property taxes	\$ 1,070,934	\$ 1,057,934	\$ (13,000)	\$ 1,075,546
Investment income	18,000	14,310	(3,690)	14,364
Other	<u>93,000</u>	<u>90,520</u>	<u>(2,480)</u>	<u>101,302</u>
Total local sources	1,181,934	1,162,764	(19,170)	1,191,212
State sources:				
Grants-in-aid	<u>-</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total revenues	<u>1,181,934</u>	<u>1,412,764</u>	<u>230,830</u>	<u>1,191,212</u>
Expenditures:				
Current:				
Support services:				
Business	925,500	920,765	4,735	942,725
Payments to other districts and government units	<u>37,000</u>	<u>26,248</u>	<u>10,752</u>	<u>31,454</u>
Total expenditures	<u>962,500</u>	<u>947,013</u>	<u>15,487</u>	<u>974,179</u>
Excess of revenues over expenditures	219,434	465,751	246,317	217,033
Fund balances at beginning of year	<u>2,060,210</u>	<u>2,060,210</u>	<u>-</u>	<u>1,843,177</u>
Fund balances at end of year	<u>\$ 2,279,644</u>	<u>\$ 2,525,961</u>	<u>\$ 246,317</u>	<u>\$ 2,060,210</u>

TORT FUND

**MANHATTAN SCHOOL DISTRICT 114
TORT FUND
STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2011
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Equity in pooled cash and investments	<u>\$ 108,729</u>	<u>\$ 68,056</u>
FUND BALANCES		
Restricted	\$ 107,849	\$ 67,355
Unassigned	<u>880</u>	<u>701</u>
Total fund balances	<u>\$ 108,729</u>	<u>\$ 68,056</u>

**MANHATTAN SCHOOL DISTRICT 114
TORT FUND
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES PAID AND
CHANGES IN FUND BALANCES ARISING FROM CASH TRANSACTIONS -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2011</u>		<u>2010</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Local sources:				
Property taxes	\$ 156,642	\$ 155,312	\$ (1,330)	\$ 149,155
Investment income	<u> -</u>	<u> 179</u>	<u> 179</u>	<u> 428</u>
Total revenues	156,642	155,491	(1,151)	149,583
Expenditures:				
Current:				
Support services:				
General administration	<u>157,500</u>	<u>114,818</u>	<u>42,682</u>	<u>94,622</u>
Excess (deficiency) of revenues over (under) expenditures	(858)	40,673	41,531	54,961
Fund balances at beginning of year	<u>68,056</u>	<u>68,056</u>	<u> -</u>	<u>13,095</u>
Fund balance at end of year	<u>\$ 67,198</u>	<u>\$ 108,729</u>	<u>\$ 41,531</u>	<u>\$ 68,056</u>

WORKING CASH FUND

**MANHATTAN SCHOOL DISTRICT 114
WORKING CASH FUND
STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2011
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Equity in pooled cash and investments	\$ 4,620	\$ 331,844
Investments	2,180,000	1,550,000
Due from Educational Fund	<u>-</u>	<u>168,383</u>
 Total assets	 <u>\$ 2,184,620</u>	 <u>\$ 2,050,227</u>
 FUND BALANCES		
 Unassigned	 <u>\$ 2,184,620</u>	 <u>\$ 2,050,227</u>

**MANHATTAN SCHOOL DISTRICT 114
WORKING CASH FUND
SCHEDULE OF REVENUES RECEIVED AND CHANGES IN FUND BALANCES
ARISING FROM CASH TRANSACTIONS - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2011</u>		<u>2010</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Local sources:				
Property taxes	\$ 135,974	\$ 134,394	\$ (1,580)	\$ 134,445
Investment income	<u>11,000</u>	<u>6,011</u>	<u>(4,989)</u>	<u>11,123</u>
Total revenues	146,974	140,405	(6,569)	145,568
Other financing uses:				
Transfers out	<u>(11,000)</u>	<u>(6,012)</u>	<u>4,988</u>	<u>(11,122)</u>
Net change in fund balances	135,974	134,393	(1,581)	134,446
Fund balances at beginning of year	<u>2,050,227</u>	<u>2,050,227</u>	<u>-</u>	<u>1,915,781</u>
Fund balances at end of year	<u>\$ 2,186,201</u>	<u>\$ 2,184,620</u>	<u>\$ (1,581)</u>	<u>\$ 2,050,227</u>

DEBT SERVICES FUND

MANHATTAN SCHOOL DISTRICT 114
DEBT SERVICES FUND
STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2011
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2010

	2011	2010
ASSETS		
Equity in pooled cash and investments	\$ -	\$ 6,653
FUND BALANCES		
Assigned	\$ -	\$ 6,653

**MANHATTAN SCHOOL DISTRICT 114
DEBT SERVICES FUND
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES PAID AND
CHANGES IN FUND BALANCES ARISING FROM CASH TRANSACTIONS -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2011</u>		<u>Variance with Final Budget Positive (Negative)</u>	<u>2010</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Local sources:				
Property taxes	\$ -	\$ -	\$ -	\$ 1,037,582
Investment income	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,988</u>
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,047,570</u>
Expenditures:				
Debt service:				
Principal	1,144,580	1,144,580	-	1,143,275
Interest	<u>1,042,789</u>	<u>1,042,789</u>	<u>-</u>	<u>935,864</u>
Total expenditures	<u>2,187,369</u>	<u>2,187,369</u>	<u>-</u>	<u>2,079,139</u>
Deficiency of revenues under expenditures	(2,187,369)	(2,187,369)	-	(1,031,569)
Other financing sources:				
Transfers in	<u>2,180,716</u>	<u>2,180,716</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(6,653)	(6,653)	-	(1,031,569)
Fund balances at beginning of year	<u>6,653</u>	<u>6,653</u>	<u>-</u>	<u>1,038,222</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,653</u>

NONMAJOR GOVERNMENTAL FUNDS

**MANHATTAN SCHOOL DISTRICT 114
 COMBINING STATEMENT OF ASSETS AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS -
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Transportation</u>	<u>Municipal Retirement/ Social Security</u>	<u>Fire Prevention and Safety</u>
ASSETS			
Equity in pooled cash and investments	<u>\$ 633,944</u>	<u>\$ 201,313</u>	<u>\$ 110,448</u>
			<u>\$ 945,705</u>
FUND BALANCES			
Restricted	\$ 570,235	\$ 192,245	\$ 100,483
Assigned	<u>63,709</u>	<u>9,068</u>	<u>9,965</u>
Total fund balances	<u>\$ 633,944</u>	<u>\$ 201,313</u>	<u>\$ 110,448</u>
			<u>\$ 945,705</u>

**MANHATTAN SCHOOL DISTRICT 114
COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES
PAID AND CHANGES IN FUND BALANCES ARISING FROM CASH
TRANSACTIONS - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Transportation</u>	<u>Municipal Retirement/ Social Security</u>	<u>Fire Prevention and Safety</u>		
Revenues:					
Local sources:					
Property taxes	\$ 501,073	\$ 273,208	\$ -		\$ 774,281
Investment income	1,081	377	302		1,760
Other	<u>21,774</u>	<u>-</u>	<u>-</u>		<u>21,774</u>
Total local sources	523,928	273,585	302		797,815
State sources:					
Grants-in-aid	<u>494,112</u>	<u>-</u>	<u>-</u>		<u>494,112</u>
Total revenues	<u>1,018,040</u>	<u>273,585</u>	<u>302</u>		<u>1,291,927</u>
Expenditures:					
Current:					
Instruction	-	79,443	-		79,443
Support services	641,855	151,306	7,000		800,161
Payments to other districts and government units	96,536	-	-		96,536
Debt service:					
Principal	21,628	-	-		21,628
Interest	<u>10,922</u>	<u>-</u>	<u>-</u>		<u>10,922</u>
Total expenditures	<u>770,941</u>	<u>230,749</u>	<u>7,000</u>		<u>1,008,690</u>
Excess (deficiency) of revenues over (under) expenditures	247,099	42,836	(6,698)		283,237
Fund balances at beginning of year	<u>386,845</u>	<u>158,477</u>	<u>117,146</u>		<u>662,468</u>
Fund balances at end of year	<u>\$ 633,944</u>	<u>\$ 201,313</u>	<u>\$ 110,448</u>		<u>\$ 945,705</u>

SPECIAL REVENUE FUNDS

TRANSPORTATION FUND

**MANHATTAN SCHOOL DISTRICT 114
TRANSPORTATION FUND
STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2011
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Equity in pooled cash and investments	<u>\$ 633,944</u>	<u>\$ 386,845</u>
FUND BALANCES		
Restricted	\$ 570,235	\$ 345,991
Assigned	<u>63,709</u>	<u>40,854</u>
Total fund balances	<u>\$ 633,944</u>	<u>\$ 386,845</u>

**MANHATTAN SCHOOL DISTRICT 114
TRANSPORTATION FUND
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES PAID AND
CHANGES IN FUND BALANCES ARISING FROM CASH TRANSACTIONS -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2011</u>		<u>2010</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Local sources:				
Property taxes	\$ 539,274	\$ 501,073	\$ (38,201)	\$ 517,514
Investment income	2,500	1,081	(1,419)	2,589
Other	<u>3,750</u>	<u>21,774</u>	<u>18,024</u>	<u>10,629</u>
Total local sources	545,524	523,928	(21,596)	530,732
State sources:				
Grants-in-aid	<u>430,200</u>	<u>494,112</u>	<u>63,912</u>	<u>426,965</u>
Total revenues	<u>975,724</u>	<u>1,018,040</u>	<u>42,316</u>	<u>957,697</u>
Expenditures:				
Current:				
Support services:				
Business	674,000	641,855	32,145	631,187
Payments to other districts and government units	70,000	96,536	(26,536)	82,666
Debt service:				
Principal	-	21,628	(21,628)	42,918
Interest	<u>11,000</u>	<u>10,922</u>	<u>78</u>	<u>1,292</u>
Total expenditures	<u>755,000</u>	<u>770,941</u>	<u>(15,941)</u>	<u>758,063</u>
Excess of revenues over expenditures	220,724	247,099	26,375	199,634
Fund balances at beginning of year	<u>386,845</u>	<u>386,845</u>	-	<u>187,211</u>
Fund balances at end of year	<u>\$ 607,569</u>	<u>\$ 633,944</u>	<u>\$ 26,375</u>	<u>\$ 386,845</u>

MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND

**MANHATTAN SCHOOL DISTRICT 114
MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND
STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2011
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Equity in pooled cash and investments	<u>\$ 201,313</u>	<u>\$ 158,477</u>
FUND BALANCES		
Restricted	\$ 192,245	\$ 149,786
Assigned	<u>9,068</u>	<u>8,691</u>
Total fund balances	<u>\$ 201,313</u>	<u>\$ 158,477</u>

**MANHATTAN SCHOOL DISTRICT 114
MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES PAID AND
CHANGES IN FUND BALANCES ARISING FROM CASH TRANSACTIONS -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2011</u>		<u>2010</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Local sources:				
Property taxes	\$ 292,616	\$ 273,208	\$ (19,408)	\$ 287,996
Investment income	<u>900</u>	<u>377</u>	<u>(523)</u>	<u>970</u>
Total revenues	<u>293,516</u>	<u>273,585</u>	<u>(19,931)</u>	<u>288,966</u>
Expenditures:				
Current:				
Instruction	<u>92,880</u>	<u>79,443</u>	<u>13,437</u>	<u>87,796</u>
Support services:				
Pupils	21,270	21,742	(472)	20,111
Instructional staff	8,000	7,900	100	15,819
General administration	8,000	7,493	507	7,857
School administration	25,500	25,053	447	24,648
Business	<u>89,300</u>	<u>89,118</u>	<u>182</u>	<u>85,881</u>
Total support services	<u>152,070</u>	<u>151,306</u>	<u>764</u>	<u>154,316</u>
Total expenditures	<u>244,950</u>	<u>230,749</u>	<u>14,201</u>	<u>242,112</u>
Excess of revenues over expenditures	48,566	42,836	(5,730)	46,854
Fund balances at beginning of year	<u>158,477</u>	<u>158,477</u>	<u>-</u>	<u>111,623</u>
Fund balances at end of year	<u>\$ 207,043</u>	<u>\$ 201,313</u>	<u>\$ (5,730)</u>	<u>\$ 158,477</u>

CAPITAL PROJECTS FUND

FIRE PREVENTION AND SAFETY FUND

**MANHATTAN SCHOOL DISTRICT 114
 FIRE PREVENTION AND SAFETY FUND
 STATEMENT OF ASSETS AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 JUNE 30, 2011
 WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2010**

	2011	2010
ASSETS		
Equity in pooled cash and investments	\$ 110,448	\$ 17,146
Investments	-	100,000
Total assets	\$ 110,448	\$ 117,146
FUND BALANCES		
Restricted	\$ 100,483	\$ 107,483
Assigned	9,965	9,663
Total fund balances	\$ 110,448	\$ 117,146

**MANHATTAN SCHOOL DISTRICT 114
FIRE PREVENTION AND SAFETY FUND
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES PAID AND
CHANGES IN FUND BALANCES ARISING FROM CASH TRANSACTIONS -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2011</u>			<u>2010</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Local sources:				
Investment income	\$ 400	\$ 302	\$ (98)	\$ 440
Expenditures:				
Current:				
Support services:				
Business	<u>10,000</u>	<u>7,000</u>	<u>3,000</u>	<u>97,406</u>
Deficiency of revenues under expenditures	(9,600)	(6,698)	2,902	(96,966)
Fund balances at beginning of year	<u>117,146</u>	<u>117,146</u>	-	<u>214,112</u>
Fund balances at end of year	<u>\$ 107,546</u>	<u>\$ 110,448</u>	<u>\$ 2,902</u>	<u>\$ 117,146</u>

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES PAID - ACTUAL AND BUDGET

MANHATTAN SCHOOL DISTRICT 114
SCHEDULE OF EXPENDITURES PAID - ACTUAL AND BUDGET
YEAR ENDED JUNE 30, 2011

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Supplies and Materials</u>
Educational Fund:				
Instruction:				
Regular programs	\$ 2,987,537	\$ 1,442,953	\$ 81,013	\$ 107,977
Pre-K programs	1,135	26	-	-
Special education programs	649,024	81,020	-	2,203
Interscholastic programs	57,816	593	4,888	2,104
Special education programs K-12 - private tuition	-	-	-	-
Summer school programs - private tuition	-	-	-	-
Total instruction	<u>3,695,512</u>	<u>1,524,592</u>	<u>85,901</u>	<u>112,284</u>
Support services:				
Pupils:				
Attendance and social work services	126,462	7,352	99	-
Health services	86,793	14,521	20	1,091
Psychological services	40,611	927	382	-
Speech pathology and audiology services	109,877	9,443	34,193	259
Other support services - pupils	<u>134,380</u>	<u>1,519</u>	<u>-</u>	<u>-</u>
Total pupils	<u>498,123</u>	<u>33,762</u>	<u>34,694</u>	<u>1,350</u>
Instructional staff:				
Improvement of instruction services	-	11,920	44,134	3,911
Educational media services	<u>44,107</u>	<u>5,913</u>	<u>591</u>	<u>-</u>
Total instructional staff	<u>44,107</u>	<u>17,833</u>	<u>44,725</u>	<u>3,911</u>
General administration:				
Board of Education services	-	-	12,128	-
Executive administration services	<u>226,287</u>	<u>94,520</u>	<u>(2)</u>	<u>-</u>
Total general administration	<u>226,287</u>	<u>94,520</u>	<u>12,126</u>	<u>-</u>
School administration:				
Office of the principal services	<u>398,063</u>	<u>130,854</u>	<u>1,608</u>	<u>-</u>

<u>Capital Outlay</u>	<u>Other Objects</u>	<u>Non- Capitalized Equipment</u>	<u>Termination Benefits</u>	<u>Totals</u>		<u>Variance - Positive (Negative)</u>
				<u>Actual</u>	<u>Budget</u>	
\$ 1,475	\$ 550	\$ 1,350	\$ 12,998	\$ 4,635,853	\$ 3,794,700	\$ (841,153)
-	-	-	-	1,161	46,615	45,454
-	-	-	-	732,247	828,815	96,568
-	325	-	-	65,726	53,800	(11,926)
-	130,205	-	-	130,205	155,000	24,795
-	25,462	-	-	25,462	27,000	1,538
<u>1,475</u>	<u>156,542</u>	<u>1,350</u>	<u>12,998</u>	<u>5,590,654</u>	<u>4,905,930</u>	<u>(684,724)</u>
-	-	-	-	133,913	141,300	7,387
-	-	-	-	102,425	105,900	3,475
-	-	-	-	41,920	43,100	1,180
-	-	-	-	153,772	158,500	4,728
-	-	-	-	135,899	138,800	2,901
-	-	-	-	567,929	587,600	19,671
-	-	-	-	59,965	20,000	(39,965)
-	-	-	-	50,611	51,100	489
-	-	-	-	110,576	71,100	(39,476)
-	2,585	-	-	14,713	14,500	(213)
-	1,562	-	-	322,367	328,540	6,173
-	4,147	-	-	337,080	343,040	5,960
-	-	-	-	530,525	537,100	6,575

(continued)

MANHATTAN SCHOOL DISTRICT 114
SCHEDULE OF EXPENDITURES PAID - ACTUAL AND BUDGET
YEAR ENDED JUNE 30, 2011

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Supplies and Materials</u>
Business:				
Fiscal services	40,559	20,753	19,918	1,903
Food services	<u>-</u>	<u>-</u>	<u>165,236</u>	<u>29,439</u>
Total business	<u>40,559</u>	<u>20,753</u>	<u>185,154</u>	<u>31,342</u>
Total support services	<u>1,207,139</u>	<u>297,722</u>	<u>278,307</u>	<u>36,603</u>
Community services	<u>-</u>	<u>-</u>	<u>21,557</u>	<u>-</u>
Payments to other districts and government units:				
Payments for special education programs	<u>-</u>	<u>-</u>	<u>75,003</u>	<u>-</u>
Debt service:				
Principal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Educational Fund	<u>\$ 4,902,651</u>	<u>\$ 1,822,314</u>	<u>\$ 460,768</u>	<u>\$ 148,887</u>
Operations and Maintenance Fund:				
Support services:				
Business:				
Operation and maintenance of plant services	\$ 125,969	\$ 31,637	\$ 496,619	\$ 242,497
Payments to other districts and government units:				
Other	<u>-</u>	<u>-</u>	<u>26,248</u>	<u>-</u>
Total Operations and Maintenance Fund	<u>\$ 125,969</u>	<u>\$ 31,637</u>	<u>\$ 522,867</u>	<u>\$ 242,497</u>

<u>Capital Outlay</u>	<u>Other Objects</u>	<u>Non- Capitalized Equipment</u>	<u>Termination Benefits</u>	<u>Totals</u>		<u>Variance - Positive (Negative)</u>
				<u>Actual</u>	<u>Budget</u>	
-	-	-	-	83,133	85,000	1,867
-	-	-	-	194,675	224,000	29,325
-	-	-	-	277,808	309,000	31,192
-	4,147	-	-	1,823,918	1,847,840	23,922
-	-	-	-	21,557	17,000	(4,557)
-	1,272,048	-	-	1,347,051	1,500,000	152,949
-	22,135	-	-	22,135	-	(22,135)
-	221	-	-	221	-	(221)
-	22,356	-	-	22,356	-	(22,356)
<u>\$ 1,475</u>	<u>\$ 1,455,093</u>	<u>\$ 1,350</u>	<u>\$ 12,998</u>	<u>\$ 8,805,536</u>	<u>\$ 8,270,770</u>	<u>\$ (534,766)</u>
\$ 1,550	\$ 22,493	\$ -	\$ -	\$ 920,765	\$ 925,500	\$ 4,735
-	-	-	-	26,248	37,000	10,752
<u>\$ 1,550</u>	<u>\$ 22,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 947,013</u>	<u>\$ 962,500</u>	<u>\$ 15,487</u>

(continued)

**MANHATTAN SCHOOL DISTRICT 114
SCHEDULE OF EXPENDITURES PAID - ACTUAL AND BUDGET
YEAR ENDED JUNE 30, 2011**

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Supplies and Materials</u>
Tort Fund:				
Support services:				
General administration:				
Workers' compensation payments	\$ -	\$ -	\$ 34,977	\$ -
Unemployment insurance payments	-	36,264	-	-
Legal services	-	-	4,281	-
Liability insurance	-	-	<u>39,296</u>	-
Total Tort Fund	<u>\$ -</u>	<u>\$ 36,264</u>	<u>\$ 78,554</u>	<u>\$ -</u>
Debt Services Fund:				
Debt service:				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total Debt Services Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Transportation Fund:				
Support services:				
Business:				
Pupil transportation services	<u>\$ 344,042</u>	<u>\$ 33,700</u>	<u>\$ 74,583</u>	<u>\$ 152,231</u>
Payments to other districts and government units:				
Payments for special education programs	<u>-</u>	<u>-</u>	<u>96,536</u>	<u>-</u>
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Transportation Fund	<u>\$ 344,042</u>	<u>\$ 33,700</u>	<u>\$ 171,119</u>	<u>\$ 152,231</u>

<u>Capital Outlay</u>	<u>Other Objects</u>	<u>Non- Capitalized Equipment</u>	<u>Termination Benefits</u>	<u>Totals</u>		<u>Variance - Positive (Negative)</u>
				<u>Actual</u>	<u>Budget</u>	
\$ -	\$ -	\$ -	\$ -	\$ 34,977	\$ 32,500	\$ (2,477)
-	-	-	-	36,264	55,000	18,736
-	-	-	-	4,281	10,000	5,719
-	-	-	-	39,296	60,000	20,704
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,818</u>	<u>\$ 157,500</u>	<u>\$ 42,682</u>
\$ -	\$ 1,144,580	\$ -	\$ -	\$ 1,144,580	\$ 1,144,580	\$ -
-	1,042,789	-	-	1,042,789	1,042,789	-
<u>\$ -</u>	<u>\$ 2,187,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,187,369</u>	<u>\$ 2,187,369</u>	<u>\$ -</u>
<u>\$ 37,299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 641,855</u>	<u>\$ 674,000</u>	<u>\$ 32,145</u>
-	-	-	-	96,536	70,000	(26,536)
-	21,628	-	-	21,628	-	(21,628)
-	10,922	-	-	10,922	11,000	78
-	32,550	-	-	32,550	11,000	(21,550)
<u>\$ 37,299</u>	<u>\$ 32,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 770,941</u>	<u>\$ 755,000</u>	<u>\$ (15,941)</u>

(continued)

MANHATTAN SCHOOL DISTRICT 114
SCHEDULE OF EXPENDITURES PAID - ACTUAL AND BUDGET
YEAR ENDED JUNE 30, 2011

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Supplies and Materials</u>
Municipal Retirement/Social Security Fund:				
Instruction:				
Regular programs	\$ -	\$ 52,318	\$ -	\$ -
Special education programs	-	25,231	-	-
Interscholastic programs	-	1,484	-	-
Special education programs - Pre-K	-	205	-	-
Pre-K programs	-	<u>205</u>	-	-
Total instruction	<u>-</u>	<u>79,443</u>	<u>-</u>	<u>-</u>
Support services:				
Pupils:				
Attendance and social work services	-	1,808	-	-
Health services	-	15,129	-	-
Psychological Services	-	589	-	-
Speech pathology and audiology services	-	1,534	-	-
Other support services - pupils	-	<u>2,682</u>	-	-
Total pupils	<u>-</u>	<u>21,742</u>	<u>-</u>	<u>-</u>
Instructional staff:				
Educational media services	<u>-</u>	<u>7,900</u>	<u>-</u>	<u>-</u>
General administration:				
Executive administration services	<u>-</u>	<u>7,493</u>	<u>-</u>	<u>-</u>
School administration:				
Office of the principal services	<u>-</u>	<u>25,053</u>	<u>-</u>	<u>-</u>
Business:				
Fiscal services	-	7,806	-	-
Operation and maintenance of plant services	-	21,511	-	-
Pupil transportation services	<u>-</u>	<u>59,801</u>	<u>-</u>	<u>-</u>
Total business	<u>-</u>	<u>89,118</u>	<u>-</u>	<u>-</u>
Total support services	<u>-</u>	<u>151,306</u>	<u>-</u>	<u>-</u>
Total Municipal Retirement/ Social Security Fund	<u>\$ -</u>	<u>\$ 230,749</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Capital Outlay</u>	<u>Other Objects</u>	<u>Non- Capitalized Equipment</u>	<u>Termination Benefits</u>	<u>Totals</u>		<u>Variance - Positive (Negative)</u>
				<u>Actual</u>	<u>Budget</u>	
\$ -	\$ -	\$ -	\$ -	\$ 52,318	\$ 52,000	\$ (318)
-	-	-	-	25,231	37,000	11,769
-	-	-	-	1,484	1,300	(184)
-	-	-	-	205	1,250	1,045
-	-	-	-	205	1,330	1,125
-	-	-	-	79,443	92,880	13,437
-	-	-	-	1,808	1,800	(8)
-	-	-	-	15,129	14,000	(1,129)
-	-	-	-	589	570	(19)
-	-	-	-	1,534	1,400	(134)
-	-	-	-	2,682	3,500	818
-	-	-	-	21,742	21,270	(472)
-	-	-	-	7,900	8,000	100
-	-	-	-	7,493	8,000	507
-	-	-	-	25,053	25,500	447
-	-	-	-	7,806	7,300	(506)
-	-	-	-	21,511	22,000	489
-	-	-	-	59,801	60,000	199
-	-	-	-	89,118	89,300	182
-	-	-	-	151,306	152,070	764
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,749</u>	<u>\$ 244,950</u>	<u>\$ 14,201</u>

(continued)

MANHATTAN SCHOOL DISTRICT 114
SCHEDULE OF EXPENDITURES PAID - ACTUAL AND BUDGET
YEAR ENDED JUNE 30, 2011

	Salaries	Employee Benefits	Purchased Services	Supplies and Materials
Fire Prevention and Safety Fund:				
Support services:				
Business:				
Facilities acquisition and construction services	\$ -	\$ -	\$ 5,643	\$ 1,357
Total expenditures	\$ 5,372,662	\$ 2,154,664	\$ 1,238,951	\$ 544,972

<u>Capital Outlay</u>	<u>Other Objects</u>	<u>Non- Capitalized Equipment</u>	<u>Termination Benefits</u>	<u>Totals</u>		<u>Variance - Positive (Negative)</u>
				<u>Actual</u>	<u>Budget</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ 10,000</u>	<u>\$ 3,000</u>
<u>\$ 40,324</u>	<u>\$ 3,697,505</u>	<u>\$ 1,350</u>	<u>\$ 12,998</u>	<u>\$ 13,063,426</u>	<u>\$ 12,588,089</u>	<u>\$ (475,337)</u> (concluded)

OTHER INFORMATION SECTION

**MANHATTAN SCHOOL DISTRICT 114
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2011**

Assessed valuation - 2010 tax year	<u>\$ 269,103,806</u>
Statutory debt limitation (15% of assessed valuation)*	\$ 40,365,571
Debt:	
Bonds payable	<u>13,585,019</u>
Legal debt margin	<u>\$ 26,780,552</u>

*Rate in excess of statutory limit allowed for high growth districts.

SINGLE AUDIT SECTION

To the Superintendent of Schools and Board of Education
Manhattan School District 114
Manhattan, Illinois

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the fiduciary fund of Manhattan School District 114 as of and for the year ended June 30, 2011, which collectively comprise Manhattan School District 114's basic financial statements and have issued our report thereon dated October 3, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Manhattan School District 114's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manhattan School District 114's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Manhattan School District 114's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (Items 2011-2 through 2011-5) to be material weaknesses.



A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs (Item 2011-1) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manhattan School District 114's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Manhattan School District 114's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Manhattan School District 114's responses and, accordingly, we express no opinion them.

This report is intended solely for the information and use of management, the Superintendent of Schools, the Board of Education, others within the entity, the Illinois State Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mulcahy, Pawritsch, Salvator, & Co., Ltd.

Orland Park, Illinois
October 3, 2011

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Superintendent of Schools and Board of Education
Manhattan School District 114
Manhattan, Illinois

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited Manhattan School District 114's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Manhattan School District 114's major federal programs for the year ended June 30, 2011. Manhattan School District 114's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Manhattan School District 114's management. Our responsibility is to express an opinion on Manhattan School District 114's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Manhattan School District 114's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Manhattan School District 114's compliance with those requirements.

In our opinion, Manhattan School District 114 complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2011.

Internal Control over Compliance

Management of Manhattan School District 114 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Manhattan School District 114's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our



opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Manhattan School District 114's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Items 2011-7 through 2011-10 to be material weaknesses.

A significant deficiency in internal control over compliance, is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 2011-6 to be a significant deficiency.

Manhattan School District 114's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Manhattan School District 114's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Superintendent of Schools, the Board of Education, management, the Illinois State Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mulcahy, Pauritsch, Salvator & Co., Ltd.

Orland Park, Illinois
October 3, 2011

**MANHATTAN SCHOOL DISTRICT 114
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

<u>Program</u>	<u>C.F.D.A. Number</u>	<u>Program #</u>	<u>Expenditures</u>
U.S. Department of Education:			
Passed through Illinois State Board of Education:			
ARRA - Education Jobs Program	84.410	11-4880-00	\$ 90,571
Title I - Low Income	84.010	11-4300-00	41,679
Title II - Teacher Quality	84.367	11-4932-00	<u>25,205</u>
Total Illinois State Board of Education			<u>157,455</u>
Passed through Lincolnway Area Special Education Cooperative:			
Fed.Sp.Ed. - IDEA - Flow Through (M)	84.027	11-4620-00	172,575
ARRA-Fed.Sp.Ed.-IDEA Flow Through (M)	84.391	11-4857-00	<u>142,724</u>
Total Lincolnway Area Special Education Cooperative			<u>315,299</u>
Total U.S. Department of Education			<u>472,754</u>
U.S. Department of Agriculture:			
Passed through Illinois State Board of Education:			
National School Lunch Program	10.555	10-4210-00	8,408
National School Lunch Program	10.555	11-4210-00	50,613
Special Milk Program	10.556	10-4215-00	545
Special Milk Program	10.556	11-4215-00	2,826
Commodities (Non-Cash)	10.555	56099114002A1	<u>14,622</u>
Total U.S. Department of Agriculture			<u>77,014</u>
U.S. Department of Health and Human Services:			
Passed through Illinois Department of Healthcare and Family Services:			
Medicaid - Administrative Outreach	93.778	10-4991-00	3,666
Medicaid - Administrative Outreach	93.778	11-4991-00	<u>6,289</u>
Total U.S. Department of Health and Human Services			<u>9,955</u>
Total expenditures of federal awards			<u>\$ 559,723</u>

(M) - Major program

See notes to schedule of expenditures of federal awards.

**MANHATTAN SCHOOL DISTRICT 114
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED YEAR ENDED JUNE 30, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Manhattan School District 114 (District) and is presented on the cash basis of accounting. The information presented in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Relationship to Basic Financial Statements

Federal financial assistance received is reflected in the District's financial statements within the General Fund as grants-in-aid received from federal sources.

C. Non-Cash Assistance

Non-cash assistance amounted to \$14,622.

D. Insurance in Effect

Insurance in effect amounted to zero.

E. Loan or Loan Guarantees

Loan or loan guarantees amounted to zero.

NOTE 2. SUBRECIPIENTS

The District provides no federal awards to subrecipients.

**MANHATTAN SCHOOL DISTRICT 114
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNQUALIFIED

Internal control over financial reporting:

- Material weaknesses identified? X yes no
- Significant deficiencies identified that are not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? X yes no
- Significant deficiencies identified that are not considered to be material weaknesses? X yes none reported

Type of auditor's report issued on compliance for major programs: UNQUALIFIED

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Fed Sp Ed - IDEA Flow Through
84.391	ARRA - Fed Sp Ed - IDEA Flow Through

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

Manhattan School District 114
56-0990-1140-06
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2011-1 2. THIS FINDING IS: New Repeat from Prior Year?
Year originally reported? _____

3. Criteria or specific requirement
Preparation of financial statements.

4. Condition
Management relies on its audit firm to prepare full financial statements in accordance with GASB Statement 34.

5. Context¹²
Material adjusting journal entries were made to finalize the year end financial statements.

6. Effect
Users of unaudited financial statements are not viewing statements in accordance with GASB Statement 34.

7. Cause
Closing procedures do not include steps to accumulate and record GASB Statement 34 conversion adjustments.

8. Recommendation
Management should implement procedures to record GASB Statement 34 adjustments.

9. Management's response¹³
Management disagrees with the recommendation.

For ISBE Review

Date: _____ Resolution Criteria Code Number _____
Initials: _____ Disposition of Questioned Costs Code Letter _____

¹¹ A suggested format for assigning reference numbers is to use the last two digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2003 would be assigned a reference number of 02-01, 02-02, etc.

¹² Provide sufficient information for judging the prevalence and consequences of the finding, such as relation to universe of costs and/or number of items examined and quantification of audit findings in dollars.

¹³ See paragraphs 5.18 through 5.20 and 7.38 through 7.42 of Government Auditing Standards for additional guidance on reporting management's response.

Manhattan School District 114
56-0990-1140-06
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2011-2 2. THIS FINDING IS: New Repeat from Prior Year?
Year originally reported? 2009

3. Criteria or specific requirement

There is a lack of segregation of duties in the cash receipts and cash disbursements processes.

4. Condition

The same individual controls the cash receipts and disbursements processes, both reconciling the bank accounts and preparing checks.

5. Context¹²

In performing audit procedures, there was no evidence of segregation of duties.

6. Effect

An effective control environment cannot be maintained without adequate segregation of duties.

7. Cause

A small staff precludes the accounting department from having adequate segregation of duties.

8. Recommendation

Incorporate existing District personnel into more of the accounting functions to mitigate segregation of duties issues.

9. Management's response¹³

Management agrees with the recommendation.

For ISBE Review

Date: _____	Resolution Criteria Code Number _____
Initials: _____	Disposition of Questioned Costs Code Letter _____

¹¹ A suggested format for assigning reference numbers is to use the last two digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2003 would be assigned a reference number of 02-01, 02-02, etc.

¹² Provide sufficient information for judging the prevalence and consequences of the finding, such as relation to universe of costs and/or number of items examined and quantification of audit findings in dollars.

¹³ See paragraphs 5.18 through 5.20 and 7.38 through 7.42 of Government Auditing Standards for additional guidance on reporting management's response.

Manhattan School District 114
56-0990-1140-06
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2011-3 2. THIS FINDING IS: New Repeat from Prior Year?
Year originally reported? 2009

3. Criteria or specific requirement

Written documentation of payment approval and cancellation of invoices paid is missing.

4. Condition

Written documentation of payment approval of District expenditures and cancellation of invoices paid is missing.

5. Context¹²

Purchase orders and invoices do not contain written evidence of approval. Additionally, invoices are not cancelled upon payment.

6. Effect

A lack of effective controls over purchases and expenditures can cause spending limit issues.

7. Cause

No system in place to require written approval and cancellation of invoices.

8. Recommendation

Ensure purchase orders should be properly completed before obligations are incurred. Cash disbursements transactions should be marked as approved by appropriate personnel. Once an invoice is processed, it should be marked "paid" on its face to avoid possibility of double payment.

9. Management's response¹³

Management agrees with the recommendation.

For ISBE Review

Date: _____	Resolution Criteria Code Number _____
Initials: _____	Disposition of Questioned Costs Code Letter _____

¹¹ A suggested format for assigning reference numbers is to use the last two digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2003 would be assigned a reference number of 02-01, 02-02, etc.

¹² Provide sufficient information for judging the prevalence and consequences of the finding, such as relation to universe of costs and/or number of items examined and quantification of audit findings in dollars.

¹³ See paragraphs 5.18 through 5.20 and 7.38 through 7.42 of Government Auditing Standards for additional guidance on reporting management's response.

Manhattan School District 114
56-0990-1140-06
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2011-4 2. THIS FINDING IS: New Repeat from Prior Year?
Year originally reported? 2009

3. Criteria or specific requirement

The Board is granting approval for cash disbursements without being provided the specific detail of the transactions.

4. Condition

The detail of all purchases using the P-Card system is not included in the disbursements approved by the Board. Only the summary total of the P-Card purchases for the period is reported. Therefore, the entire purchase detail is not approved by the Board.

5. Context¹²

6. Effect

The Board does not have the opportunity to review and approve all cash disbursements in detail.

7. Cause

8. Recommendation

A detail listing of all cash disbursements should be provided to the Board for payment approval.

9. Management's response¹³

Management agrees with the recommendation.

For ISBE Review

Date:	_____	Resolution Criteria Code Number	_____
Initials:	_____	Disposition of Questioned Costs Code Letter	_____

¹¹ A suggested format for assigning reference numbers is to use the last two digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2003 would be assigned a reference number of 02-01, 02-02, etc.

¹² Provide sufficient information for judging the prevalence and consequences of the finding, such as relation to universe of costs and/or number of items examined and quantification of audit findings in dollars.

¹³ See paragraphs 5.18 through 5.20 and 7.38 through 7.42 of Government Auditing Standards for additional guidance on reporting management's response.

Manhattan School District 114
56-0990-1140-06
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2011-5 2. THIS FINDING IS: New Repeat from Prior Year?
Year originally reported? 2009

3. Criteria or specific requirement
Lack of segregation of duties in the cash disbursements process.

4. Condition
The same individual produces the checks, stamps checks with the signature facsimile stamp, and mails the payments.

5. Context¹²

6. Effect
Potential for misappropriation of funds.

7. Cause

8. Recommendation
Segregate the cash disbursement process of check preparation, check signing and final mailing.

9. Management's response¹³
Management agrees with the recommendation.

For ISBE Review

Date: _____ Resolution Criteria Code Number _____
Initials: _____ Disposition of Questioned Costs Code Letter _____

¹¹ A suggested format for assigning reference numbers is to use the last two digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2003 would be assigned a reference number of 02-01, 02-02, etc.
¹² Provide sufficient information for judging the prevalence and consequences of the finding, such as relation to universe of costs and/or number of items examined and quantification of audit findings in dollars.
¹³ See paragraphs 5.18 through 5.20 and 7.38 through 7.42 of Government Auditing Standards for additional guidance on reporting management's response.

Manhattan School District 114
56-0990-1140-06
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2011

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ 2011-6 2. THIS FINDING IS: New Repeat from Prior year?
Year originally reported? _____

3. Federal Program Name and Year: All Federal Programs

4. Project No.: _____ 5. CFDA No.: _____

6. Passed Through: _____

7. Federal Agency: _____

8. Criteria or specific requirement (including statutory, regulatory, or other citation)
Preparation of financial statements. Refer to Financial Statement finding # 2011-1.

9. Condition¹⁶

10. Questioned Costs¹⁶
NONE

11. Context¹⁷

12. Effect

13. Cause

14. Recommendation

15. Management's response¹⁸

For ISBE Review	
Date: _____	Resolution Criteria Code Number _____
Initials: _____	Disposition of Questioned Costs Code Letter _____

¹⁴ See footnote 11.

¹⁵ Include facts that support the deficiency identified on the audit finding.

¹⁶ Identify questioned costs as required by sections 510(a)(3) and 510 (a) (4) of Circular A-133.

¹⁷ See footnote 12.

¹⁸ To the extent practical, indicate when management does not agree with the finding, questioned cost, or both.

Manhattan School District 114
56-0990-1140-06
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2011

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ 2011-7 **2. THIS FINDING IS:** New Repeat from Prior year?
Year originally reported? 2009

3. Federal Program Name and Year: All Federal Programs

4. Project No.: _____ **5. CFDA No.:** _____

6. Passed Through: _____

7. Federal Agency: _____

8. Criteria or specific requirement (including statutory, regulatory, or other citation)
There is a lack of segregation of duties in the cash receipts and cash disbursements processes. Refer to Financial Statement finding # 2011-2.

9. Condition¹⁵

10. Questioned Costs¹⁶
NONE

11. Context¹⁷

12. Effect

13. Cause

14. Recommendation

15. Management's response¹⁸

For ISBE Review	
Date: _____	Resolution Criteria Code Number _____
Initials: _____	Disposition of Questioned Costs Code Letter _____

¹⁴ See footnote 11.
¹⁵ Include facts that support the deficiency identified on the audit finding.
¹⁶ Identify questioned costs as required by sections 510(a)(3) and 510 (a) (4) of Circular A-133.
¹⁷ See footnote 12.
¹⁸ To the extent practical, indicate when management does not agree with the finding, questioned cost, or both.

Manhattan School District 114
56-0990-1140-06
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2011

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ 2011-8 2. THIS FINDING IS: New Repeat from Prior year?
Year originally reported? 2009

3. Federal Program Name and Year: All Federal Programs

4. Project No.: _____ 5. CFDA No.: _____

6. Passed Through: _____

7. Federal Agency: _____

8. Criteria or specific requirement (including statutory, regulatory, or other citation)
Written documentation is missing. Refer to Financial Statement finding # 2011-3.

9. Condition¹⁵

10. Questioned Costs¹⁶
NONE

11. Context¹⁷

12. Effect

13. Cause

14. Recommendation

15. Management's response¹⁸

For ISBE Review	
Date: _____	Resolution Criteria Code Number _____
Initials: _____	Disposition of Questioned Costs Code Letter _____

¹⁴ See footnote 11.
¹⁵ Include facts that support the deficiency identified on the audit finding.
¹⁶ Identify questioned costs as required by sections 510(a)(3) and 510 (a) (4) of Circular A-133.
¹⁷ See footnote 12.
¹⁸ To the extent practical, indicate when management does not agree with the finding, questioned cost, or both.

Manhattan School District 114
56-0990-1140-06
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2011

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ 2011-9 2. THIS FINDING IS: New Repeat from Prior year?
Year originally reported? 2009

3. Federal Program Name and Year: All Federal Programs

4. Project No.: _____ 5. CFDA No.: _____

6. Passed Through: _____

7. Federal Agency: _____

8. Criteria or specific requirement (including statutory, regulatory, or other citation)
The Board is granting approval for cash disbursements without being provided the specific detail of the transactions.
Refer to Financial Statement finding # 2011-4.

9. Condition¹⁶ _____

10. Questioned Costs¹⁶
NONE

11. Context¹⁷ _____

12. Effect _____

13. Cause _____

14. Recommendation _____

15. Management's response¹⁸ _____

For ISBE Review

Date: _____ Resolution Criteria Code Number _____
Initials: _____ Disposition of Questioned Costs Code Letter _____

¹⁴ See footnote 11.
¹⁵ Include facts that support the deficiency identified on the audit finding.
¹⁶ Identify questioned costs as required by sections 510(a)(3) and 510 (a) (4) of Circular A-133.
¹⁷ See footnote 12.
¹⁸ To the extent practical, indicate when management does not agree with the finding, questioned cost, or both.

Manhattan School District 114
56-0990-1140-06
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2011

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ 2011-10 2. THIS FINDING IS: New Repeat from Prior year?
Year originally reported? 2009

3. Federal Program Name and Year: All Federal Programs

4. Project No.: _____ 5. CFDA No.: _____

6. Passed Through: _____

7. Federal Agency: _____

8. Criteria or specific requirement (including statutory, regulatory, or other citation)
Lack of segregation of duties in the cash disbursements process. Refer to Financial Statement finding # 2011-5.

9. Condition¹⁵

10. Questioned Costs¹⁶
NONE

11. Context¹⁷

12. Effect

13. Cause

14. Recommendation

15. Management's response¹⁸

For ISBE Review

Date: _____ Resolution Criteria Code Number _____
Initials: _____ Disposition of Questioned Costs Code Letter _____

¹⁴ See footnote 11.

¹⁵ Include facts that support the deficiency identified on the audit finding.

¹⁶ Identify questioned costs as required by sections 510(a)(3) and 510 (a) (4) of Circular A-133.

¹⁷ See footnote 12.

¹⁸ To the extent practical, indicate when management does not agree with the finding, questioned cost, or both.

Manhattan School District 114
56-0990-1140-06
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS¹⁹
Year Ending June 30, 2011

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status²⁰</u>
2010-1	The same individual controls the cash receipts and disbursements processes, both reconciling the bank accounts and preparing checks.	Repeated as 2011-2
2010-2	Written documentation of payment approval of District expenditures and cancellation of invoices paid is missing. Additionally, the majority of payroll rate amounts did not have evidence of management approval.	Repeated as 2011-3
2010-3	The detail of all purchases using the P-Card system is not included in the disbursements approved by the Board. Only the summary total of the P-Card purchases for the period is reported. Therefore, the entire purchase detail is not approved by the Board.	Repeated as 2011-4
2010-4	The same individual produces the checks, stamps checks with the signature facsimile stamp, and mails the payments.	Repeated as 2011-5
2010-6	Same as 2010-1.	Repeated as 2011-7
2010-7	Same as 2010-2.	Repeated as 2011-8
2010-8	Same as 2010-3.	Repeated as 2011-9
2010-9	Same as 2010-4.	Repeated as 2011-10

When possible, all prior findings should be on the same page

¹⁹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

²⁰ Current Status should include one of the following:

- A statement that corrective action was taken
- A description of any partial or planned corrective action
- An explanation if the corrective action taken was significantly different from that previously reported or in the management decision received from the pass-through entity.

Manhattan School District 114
56-0990-1140-06
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2011

Corrective Action Plan

Finding No.: 2011-1

Condition:

Management relies on its audit firm to prepare full financial statements in accordance with GASB Statement 34.

Plan:

NONE.

Anticipated Date of Completion: N/A

Name of Contact Person: Howard Butters

Management Response: Management provides all necessary information to its auditor and retains decision making control for year end adjusting journal entries in converting the books to GASB Statement 34 reporting. Due to cost/benefit considerations for staffing, management believes this approach to be adequate and that any corrective action is unnecessary.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

Manhattan School District 114
56-0990-1140-06
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2011

Corrective Action Plan

Finding No.: 2011-2

Condition:

The same individual controls the cash receipts and disbursements processes, both reconciling the bank accounts and preparing checks.

Plan:

Other District personnel will be incorporated into more accounting functions to mitigate segregation of duties issues. Also, the District will incorporate other existing personnel into the revenue reconciliation process.

Anticipated Date of Completion: 6/30/2012

Name of Contact Person: Howard Butters

Management Response: Management agrees with the need to achieve additional segregation of duties and reconciliation processes and will implement the above described plan.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

Manhattan School District 114
56-0990-1140-06
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2011

Corrective Action Plan

Finding No.: 2011-3

Condition:

Written documentation of payment approval of District expenditures and cancellation of invoices paid is missing.

Plan:

The District will require written evidence of approval for expenditures. Invoices will be cancelled upon payment.

Anticipated Date of Completion: 6/30/2012

Name of Contact Person: Howard Butters

Management Response: Management agrees with the need for written evidence of payment approval and the cancellation of invoices and will implement the above described plan.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

Manhattan School District 114
56-0990-1140-06
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2011

Corrective Action Plan

Finding No.: 2011-4

Condition:

The detail of all purchases using the P-Card system is not included in the disbursements approved by the Board. Only the summary total of the P-Card purchases for the period is reported. Therefore, the entire purchase detail is not approved by the Board.

Plan:

A detail listing of all cash disbursements will be provided to the Board for payment approval.

Anticipated Date of Completion: 6/30/2012

Name of Contact Person: Howard Butters

Management Response: Management agrees with the need for board payment approval and will implement the above described plan.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

Manhattan School District 114
56-0990-1140-06
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2011

Corrective Action Plan

Finding No.: 2011-5

Condition:

The same individual produces the checks, stamps checks with the signature facsimile stamp, and mails the payments.

Plan:

Other District personnel will be incorporated into more accounting functions to mitigate segregation of duties issues.

Anticipated Date of Completion: 6/30/2012

Name of Contact Person: Howard Butters

Management Response: Management agrees with the need to achieve additional segregation of duties and will implement the above described plan.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

Manhattan School District 114
56-0990-1140-06
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2011

Corrective Action Plan

Finding No.: 2011-6

Condition:

Management relies on its audit firm to prepare full financial statements in accordance with GASB Statement 34.

Plan:

NONE.

Anticipated Date of Completion: N/A

Name of Contact Person: Howard Butters

Management Response: Management provides all necessary information to its auditor and retains decision making control for year end adjusting journal entries in converting the books to GASB Statement 34 reporting. Due to cost/benefit considerations for staffing, management believes this approach to be adequate and that any corrective action is unnecessary.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

Manhattan School District 114
56-0990-1140-06
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2011

Corrective Action Plan

Finding No.: 2011-7

Condition:

The same individual controls the cash receipts and disbursements processes, both reconciling the bank accounts and preparing checks.

Plan:

Other District personnel will be incorporated into more accounting functions to mitigate segregation of duties issues. Also, the District will incorporate other existing personnel into the revenue reconciliation process.

Anticipated Date of Completion: 6/30/2012

Name of Contact Person: Howard Butters

Management Response: Management agrees with the need to achieve additional segregation of duties and reconciliation processes and will implement the above described plan.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

Manhattan School District 114
56-0990-1140-06
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2011

Corrective Action Plan

Finding No.: 2011-8

Condition:

Written documentation of payment approval of District expenditures and cancellation of invoices paid is missing.

Plan:

The District will require written evidence of approval for expenditures. Invoices will be cancelled upon payment.

Anticipated Date of Completion: 6/30/2012

Name of Contact Person: Howard Butters

Management Response: Management agrees with the need for written evidence of payment approval and the cancellation of invoices and will implement the above described plan.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

Manhattan School District 114
56-0990-1140-06
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2011

Corrective Action Plan

Finding No.: 2011-9

Condition:

The detail of all purchases using the P-Card system is not included in the disbursements approved by the Board. Only the summary total of the P-Card purchases for the period is reported. Therefore, the entire purchase detail is not approved by the Board.

Plan:

A detail listing of all cash disbursements will be provided to the Board for payment approval.

Anticipated Date of Completion: 6/30/2012

Name of Contact Person: Howard Butters

Management Response: Management agrees with the need for board payment approval and will implement the above described plan.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

Manhattan School District 114
56-0990-1140-06
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2011

Corrective Action Plan

Finding No.: 2011-10

Condition:

The same individual produces the checks, stamps checks with the signature facsimile stamp, and mails the payments.

Plan:

Other District personnel will be incorporated into more accounting functions to mitigate segregation of duties issues.

Anticipated Date of Completion: 6/30/2012

Name of Contact Person: Howard Butters

Management Response: Management agrees with the need to achieve additional segregation of duties and will implement the above described plan.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.