

MANHATTAN SCHOOL DISTRICT 114

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

Report issued by:
Mr. Russell A. Ragon
Superintendent of Schools

**MANHATTAN SCHOOL DISTRICT 114
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013**

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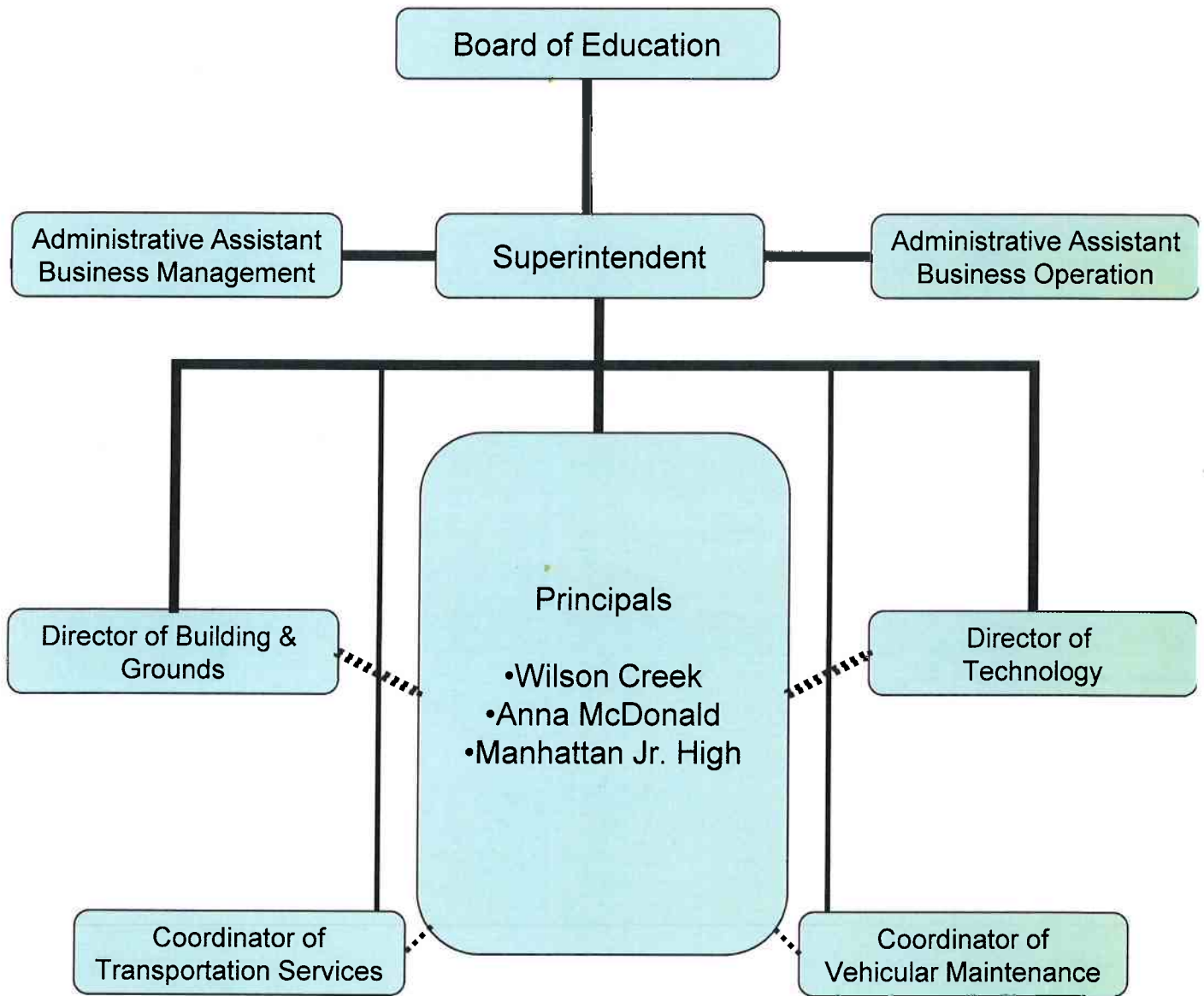
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INTRODUCTORY SECTION

**MANHATTAN SCHOOL DISTRICT 114
BOARD OF EDUCATION MEMBERS AND OFFICERS
JUNE 30, 2013**

Scott Mancke	President
Dan DeCaprio	Vice President
Dawn Murphy	Secretary
Lizette Boyles	Member
Timothy Doyle	Member
Mark Gray	Member
Anne Gzmel	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

Report on the Financial Statements

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, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note I. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified 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, 2013, and the respective changes in financial position - modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note I.

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the District's basic financial statements. The accompanying supplementary information (combining and individual fund financial statements and schedules and schedule of expenditures) and other information (management's discussion and analysis and other information section) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and schedule of expenditures are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and schedule of expenditures are fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note I.

The management's discussion and analysis and other information section 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 such information.

Basis of Accounting

We draw attention to Note I of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013, 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* in considering Manhattan School District 114's internal control over financial reporting and compliance.

Mulcahy, Pauritsch, Salvador & Co., Ltd

Orland Park, Illinois
October 8, 2013

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

**INDEPENDENT AUDITOR'S 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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise Manhattan School District 114's basic financial statements and have issued our report thereon dated October 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Manhattan School District 114's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Manhattan School District 114's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control that we consider to be a material weakness 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 following deficiency to be a material weakness.

All of the accounting department employees have access to assets as well as to the record keeping that tracks these assets. Furthermore, the same individual controls the cash receipts and cash disbursements processes (including student activities) and reconciles the bank accounts.



Management's response:

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

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 following deficiency to be a significant deficiency.

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

Management's response:

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manhattan School District 114's financial statements are free from 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

Manhattan School District 114's responses to the findings identified in our audit are described above. Manhattan School District 114's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mulcahy, Pawlitsch, Salvadori & Co., Ltd

Orland Park, Illinois
October 8, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANHATTAN SCHOOL DISTRICT 114

MANAGEMENT'S DISCUSSION AND ANALYSIS as of and for the fiscal year ended June 30, 2013

As management of Manhattan School District 114 (the District), we offer readers of the District's Annual Financial Report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$13,064,597 (net position).
- Governmental activities have an unrestricted net position balance of \$3,112,855.
- The total net position of the District decreased by \$188,803 during fiscal year 2013.
- Fund balance of the District's governmental funds decreased by \$815,147 resulting in an ending fund balance of \$9,818,786. Approximately 75% of this amount (\$7,317,179) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the General Fund was \$7,317,179, or approximately 66% of total General Fund expenditures.
- The District's long-term obligations decreased by \$1,374,010 to \$18,507,852 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 position – modified cash basis and the statement of activities – modified cash basis.

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

The statement of activities – modified cash basis presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities using the modified cash basis of accounting.

The modified 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 by taxes and intergovernmental revenues (governmental activities). Governmental activities include instructional, pupil support, other support, transportation and administration.

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. The governmental fund 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 - 8 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 9 - 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 2014.

The assets of the District's activities exceed liabilities by \$13,064,597 with an unrestricted balance of \$3,112,855. Total net position of the District does not include internal balances.

A net investment of \$7,541,911 in land, land improvements, buildings, equipment, and vehicles to provide services to the District's students represents 58 percent of the District's net position. Net position of \$1,155,108 has been accumulated to fund future operations and maintenance projects, \$797,959 has been accumulated to fund future transportation requirements, and \$456,764 has been accumulated for other purposes to assist the District in managing its cash flow requirements during the year.

The net position of the District as of June 30, 2013 and 2012 is summarized as follows:

Manhattan School District 114
Net Position – Modified Cash Basis
as of June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets:		
Current assets	\$ 9,818,786	\$ 10,633,933
Capital assets	<u>21,753,663</u>	<u>22,501,329</u>
Total assets	<u>31,572,449</u>	<u>33,135,262</u>
Liabilities:		
Current liabilities	1,218,626	1,185,759
Noncurrent liabilities	<u>17,289,226</u>	<u>18,696,103</u>
Total liabilities	<u>18,507,852</u>	<u>19,881,862</u>
Net position:		
Net investment in capital assets	7,541,911	7,470,429
Restricted	2,409,831	2,079,822
Unrestricted	<u>3,112,855</u>	<u>3,703,149</u>
Total net position	<u>\$ 13,064,597</u>	<u>\$ 13,253,400</u>

Government-wide Activities

Governmental activities decreased the net position of the District by \$188,803. Changes in net position of the District for years ended June 30, 2013 and 2012 are as follows:

Manhattan School District 114
Changes in Net Position – Modified Cash Basis
for the fiscal years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 309,362	\$ 297,324
Operating grants and contributions	2,798,668	2,399,833
General revenues:		
Property taxes	9,649,661	8,662,325
Personal property replacement taxes	133,513	126,370
Grant – non program-specific	-	5,848,028
General state aid	686,190	671,603
Unrestricted investment earnings	6,824	9,102
Other revenues	<u>211,428</u>	<u>273,400</u>
Total revenues	<u>13,795,646</u>	<u>18,287,985</u>
Expenses:		
Governmental activities:		
Instructional	6,941,936	6,428,680
Pupil support	692,906	671,296
Other support	3,775,453	4,278,863
Transportation	915,197	837,917
Administration	621,936	643,236
Interest	<u>1,037,021</u>	<u>965,894</u>
Total expenses	<u>13,984,449</u>	<u>13,825,886</u>
Increase (decrease) in net position	(188,803)	4,462,099
Net position at beginning of year	<u>13,253,400</u>	<u>8,791,301</u>
Net position at end of year	<u>\$ 13,064,597</u>	<u>\$ 13,253,400</u>

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

- Property tax revenues increased by \$987,336 from the prior year to \$9,649,661 due to timing of payments received from the county treasurer.
- Instructional expenses increased by \$513,256 from the prior year to \$6,941,936 due to annual raises provided to the staff of the District.

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 \$9,818,786. Twenty-five percent or \$2,409,831 of this total is restricted due to external limitations on its use. These uses include operations and maintenance (\$1,155,108), tort immunity (\$206,891), transportation (\$797,959), and Municipal Retirement/Social Security (\$249,873). One percent or \$91,776 has been assigned, meaning there are limitations on its intended use. The assigned uses include transportation (\$82,518) and Municipal Retirement/Social Security (\$9,258). The remaining seventy-four percent or \$7,317,179 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 \$7,317,179, while total fund balance was \$8,679,178. 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 sixty-six percent of total General Fund expenditures, while total fund balance represents eighty-four 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 required payments.

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2013 amounted to \$7,541,911 (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, 2013 of \$747,666 was entirely comprised of depreciation expense.

Capital Assets (net of accumulated depreciation) June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Land	\$ 4,519,365	\$ 4,519,365
Improvements	40,877	85,313
Buildings	16,720,581	17,341,972
Equipment	371,941	416,687
Vehicles	<u>100,899</u>	<u>137,992</u>
Total capital assets	<u>\$21,753,663</u>	<u>\$22,501,329</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, 2013, the District had total bonded debt outstanding of \$11,218,844 and deferred amounts of \$7,289,008.

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 2013 the District once again 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 student enrollment is currently once again experiencing growth. This past year our student enrollment grew by about 3.5% and the District added additional class sections. It will be imperative that the District monitor the growth rate, noting trends that are occurring. Current numbers would suggest that Manhattan SD #114 will have a total enrollment of at least 1400 students by 2017. The District, which encompasses approximately 32 square miles, contains sixteen (16) subdivisions. In addition, there are another eleven (11) subdivisions that are proposed for sometime in the future. These current and proposed subdivisions have the ability to increase the future school

district's enrollment by approximately five thousand (5,000) students. The District currently serves approximately one thousand three hundred thirty three (1,333) children. As the economy continues to improve there is no doubt that the District enrollment will begin to grow at an increased rate as we are seeing, and perhaps once again at an accelerated rate as seen in the past. If this continues, the District will be faced with new challenges. The Board of Education, Administration, and Staff stand ready to work with the parents and the community to meet the needs of our students.

Other Issues That Require Understanding and Close Examination

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. The District will also continue to 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 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.

That being said, no strategic financial tool could have predicted that the District would receive a large sum of money in June, 2012 in the form of a State grant. The grant was made as a non-specific grant award in the amount of \$5,848,028. This money was received a decade late as part of a State construction grant that the District had applied for in 2002. This grant was originally intended to help school districts with construction costs associated with building a new school or addition. The Board will be using a portion of this grant to pay off \$1,145,000 in General Obligation Refunding School Bonds from 2004, this January 2014. The only remaining bonds and outstanding debt will be for the Wilson Creek Elementary building. The balance of the grant money may need to be used for a future addition at the junior high or possible construction of another school to accommodate an increasing population and student enrollment.

Needless to say, while ten (10) years late in receipt and well past due in regards to a building project that we had to complete earlier, this money arrived at a very good time. Moving forward these funds will be of significant help to the District in meeting both its educational and financial obligations. With that being said, we must caution anyone who reads this that the receipt and accounting of these funds does skew the financial picture/health of the school district. Please be sure to take this into account.

The Budget for the year ending June 30, 2014 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, lower class sizes, and provide all day kindergarten, 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, 2013.

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 POSITION - MODIFIED CASH BASIS
JUNE 30, 2013

ASSETS

Equity in pooled cash and investments	\$ 3,693,786
Investments	6,125,000
Capital assets not being depreciated:	
Land	4,519,365
Capital assets net of accumulated depreciation:	
Land improvements	40,877
Buildings	16,720,581
Equipment	371,941
Vehicles	<u>100,899</u>
 Total assets	 <u>31,572,449</u>

LIABILITIES

Noncurrent liabilities:	
Due within one year	1,218,626
Due in more than one year	<u>17,289,226</u>
 Total liabilities	 <u>18,507,852</u>

NET POSITION

Net investment in capital assets	7,541,911
Restricted for:	
Operations and maintenance	1,155,108
Transportation	797,959
Retirement benefits	249,873
Tort immunity	206,891
Unrestricted	<u>3,112,855</u>
 Total net position	 <u>\$ 13,064,597</u>

See notes to basic financial statements.

MANHATTAN SCHOOL DISTRICT 114
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Change in</u>
			<u>Contributions</u>	<u>Net Position</u>
Functions/programs:				
Governmental activities:				
Instructional	\$ 6,941,936	\$ 199,273	\$ 2,118,811	\$ (4,623,852)
Pupil support	692,906	-	-	(692,906)
Other support	3,775,453	100,776	108,505	(3,566,172)
Transportation	915,197	9,313	571,352	(334,532)
Administration	621,936	-	-	(621,936)
Interest expense	<u>1,037,021</u>	<u>-</u>	<u>-</u>	<u>(1,037,021)</u>
Total governmental activities	<u>\$ 13,984,449</u>	<u>\$ 309,362</u>	<u>\$ 2,798,668</u>	<u>(10,876,419)</u>
General revenues:				
Taxes:				
Property				9,649,661
Personal property replacement				133,513
General state aid				686,190
Earnings on investments				6,824
Other income				<u>211,428</u>
Total general revenues				<u>10,687,616</u>
Change in net position				(188,803)
Net position at beginning of year				<u>13,253,400</u>
Net position at end of year				<u>\$ 13,064,597</u>

See notes to basic financial statements.

FUND FINANCIAL STATEMENTS

MANHATTAN SCHOOL DISTRICT 114
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General</u>	<u>Debt Services</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Equity in pooled cash and investments	\$ 2,554,178	\$ -	\$ 1,139,608	\$ 3,693,786
Investments	<u>6,125,000</u>	<u>-</u>	<u>-</u>	<u>6,125,000</u>
Total assets	<u>\$ 8,679,178</u>	<u>\$ -</u>	<u>\$ 1,139,608</u>	<u>\$ 9,818,786</u>
 FUND BALANCES				
Restricted	\$ 1,361,999	\$ -	\$ 1,047,832	\$ 2,409,831
Assigned	-	-	91,776	91,776
Unassigned	<u>7,317,179</u>	<u>-</u>	<u>-</u>	<u>7,317,179</u>
Total fund balances	<u>\$ 8,679,178</u>	<u>\$ -</u>	<u>\$ 1,139,608</u>	<u>\$ 9,818,786</u>

See notes to basic financial statements.

**MANHATTAN SCHOOL DISTRICT 114
RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2013**

Amounts reported for governmental activities in the statement of net position - modified cash basis are different because:

Total fund balances - governmental funds		\$ 9,818,786
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		21,753,663
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	\$ (11,218,844)	
Deferred amount from issuance premium	<u>(7,289,008)</u>	
Total		<u>(18,507,852)</u>
Net position of governmental activities		<u>\$ 13,064,597</u>

See notes to basic financial statements.

MANHATTAN SCHOOL DISTRICT 114
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Debt Services</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Local sources:				
Property taxes	\$ 8,881,792	\$ -	\$ 767,869	\$ 9,649,661
Investment income	6,220	-	604	6,824
Other	<u>643,217</u>	<u>-</u>	<u>11,029</u>	<u>654,246</u>
Total local sources	<u>9,531,229</u>	<u>-</u>	<u>779,502</u>	<u>10,310,731</u>
State sources:				
General state aid	686,190	-	-	686,190
Grants-in-aid	<u>559,928</u>	<u>-</u>	<u>571,352</u>	<u>1,131,280</u>
Total state sources	<u>1,246,118</u>	<u>-</u>	<u>571,352</u>	<u>1,817,470</u>
Federal sources:				
Grants-in-aid	<u>294,065</u>	<u>-</u>	<u>-</u>	<u>294,065</u>
On behalf revenues	<u>1,373,380</u>	<u>-</u>	<u>-</u>	<u>1,373,380</u>
Total revenues	<u>12,444,792</u>	<u>-</u>	<u>1,350,854</u>	<u>13,795,646</u>
Expenditures:				
Current:				
Instruction	6,285,141	-	88,337	6,373,478
Support services	3,154,566	-	703,385	3,857,951
Community services	17,342	-	-	17,342
Payments to other districts and government units	1,622,148	-	328,843	1,950,991
Debt service:				
Principal	-	1,185,759	-	1,185,759
Interest	<u>-</u>	<u>1,225,272</u>	<u>-</u>	<u>1,225,272</u>
Total expenditures	<u>11,079,197</u>	<u>2,411,031</u>	<u>1,120,565</u>	<u>14,610,793</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,365,595</u>	<u>(2,411,031)</u>	<u>230,289</u>	<u>(815,147)</u>

See notes to basic financial statements.

	<u>General</u>	<u>Debt Services</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):				
Transfers in	-	2,411,031	-	2,411,031
Transfers out	<u>(2,411,031)</u>	<u>-</u>	<u>-</u>	<u>(2,411,031)</u>
Total other financing sources (uses)	<u>(2,411,031)</u>	<u>2,411,031</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,045,436)	-	230,289	(815,147)
Fund balances at beginning of year	<u>9,724,614</u>	<u>-</u>	<u>909,319</u>	<u>10,633,933</u>
Fund balances at end of year	<u>\$ 8,679,178</u>	<u>\$ -</u>	<u>\$ 1,139,608</u>	<u>\$ 9,818,786</u>

**MANHATTAN SCHOOL DISTRICT 114
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2013**

Amounts reported for governmental activities in the statement of activities - modified cash basis are different because:

Net change in fund balances - total governmental funds	\$ (815,147)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities - modified cash basis, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$747,666) exceeded capitalized expenditures (\$0) in the current period.	(747,666)
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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 position. 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 - modified cash basis. The effects of these differences in the treatment of long-term debt and related items are as follows:

Repayment of long-term principal	\$ 1,185,759	
Amortization of bond issuance premium	<u>188,251</u>	
Total		<u>1,374,010</u>
Change in net position of governmental activities		<u>\$ (188,803)</u>

See notes to basic financial statements.

**MANHATTAN SCHOOL DISTRICT 114
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
MODIFIED CASH BASIS - STUDENT ACTIVITY AGENCY FUND
JUNE 30, 2013**

ASSETS

Cash	<u>\$ 75,847</u>
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LIABILITIES

Due to student activity funds	<u>\$ 75,847</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, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* are generally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B. 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, 2013, no entities were considered component units of the District.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities financial statements incorporate data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary fund. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

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.

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

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/Social Security Fund.

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.

During the course of operations the District has activity between funds for various purposes. In fund financial statements any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out.

E. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. *Basis of accounting* refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

1. Measurement Focus

In the government-wide statement of net position and statement of activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and net financial position. All assets and liabilities (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The agency fund is custodial in nature and does not involve the measurement of results of operations. Therefore, it does not have a measurement focus.

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

2. Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, certain other economic assets and liabilities that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the District utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting. The government-wide and fiduciary fund financial statements would be presented on the accrual basis of accounting.

F. Assets, Liabilities and Net Position/Fund Balance

1. Cash 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; certain short-term obligations of U.S. corporations; certain money market mutual funds; repurchase agreements of government securities; and Public Treasurer's Investment Pools created under Section 17 of the State Treasurer Act.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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 balance sheet as "equity in pooled cash and investments." In addition, non-pooled cash equivalents and investments that are separately held are reflected in the respective funds as "investments." Investments are carried at cost, which approximates fair value.

**MANHATTAN SCHOOL DISTRICT NO. 114
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2013**

2. Capital Assets

The District’s modified cash basis of accounting reports capital assets (land, land improvements, buildings, equipment and vehicles) resulting from cash transactions or certain events and reports depreciation, when appropriate. The accounting treatment over capital assets depends on whether they are reported in the government-wide or fund financial statements.

Capital assets reported in the government-wide financial statements are defined by the District as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Assets</u>	<u>Years</u>
Land improvements	20-50
Buildings	40
Equipment	5-20
Vehicles	8

3. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are generally deferred and amortized over the term of the related debt. 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.

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

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

4. Net Position/Fund Balance Classifications

In the government-wide financial statements, net position is classified and displayed in three components:

- Net investment in capital assets - consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted - consists of restricted assets reduced by liabilities, with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
- Unrestricted - net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

In the governmental fund financial statements, the difference between assets and liabilities is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

- Nonspendable - amounts that cannot be spent because they either are not in spendable form (such as inventory) or are legally or contractually required to be maintained intact.
- Restricted - amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or by restrictions imposed by law through constitutional provisions or enabling legislation.
- Committed - amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the District's highest level of decision-making authority (i.e., the Board of Education).
- Assigned - amounts constrained by the District's intent to be used for specific purposes but that are neither restricted nor committed. Assignments are evidenced either by resolution of the Board of Education or by an individual or body to which the District delegates the authority.
- Unassigned - the residual classification of the General Fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes.

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

It is the District's policy to first use restricted fund balances prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. It is also the District's policy to use committed fund balances before assigned fund balances and assigned fund balances before unassigned amounts when an expenditure is incurred for which amounts in those classifications are available to be used.

G. Revenues

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. 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 in December. The lien date for the levy is January 1. The Board of Education approved the 2012 tax levy on December 12, 2012. 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.

H. 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.

I. Comparative Data

Comparative data for the prior year have been presented in the combining and individual fund financial statements and schedules in order to provide an understanding of the changes in the financial position and operations of these funds

**MANHATTAN SCHOOL DISTRICT NO. 114
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2013**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The budget is prepared on the modified 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 level of control (level at which expenditures may not exceed budget/appropriations) is the fund. 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.
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, 2013:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General subfund:			
Educational Fund	\$ 8,847,757	\$ 9,825,551	\$ (977,794)
Nonmajor governmental fund:			
Transportation Fund	863,390	878,104	(14,714)

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

MANHATTAN SCHOOL DISTRICT NO. 114
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2013

III. DETAILED NOTES ON ALL ACTIVITIES AND 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, 2013, \$3,525,457 of the District's bank balances of \$3,775,457 was exposed to custodial credit and was collateralized with securities held by the pledging financial institutions.

Investments

The District had the following investments as of June 30, 2013:

<u>Type of Investment</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Non-pooled investments:			
Certificates of deposit	<u>\$ 6,125,000</u>	N/A	162

- (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.

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 one of the 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.

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

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.

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. Interfund Transfers

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General subfund - Educational Fund	Debt Services Fund	<u>\$ 2,411,031</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.

C. Capital Assets

Capital asset activity for the year ended June 30, 2013 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	2,729,359	-	22,608	2,706,751
Vehicles	<u>833,852</u>	<u>-</u>	<u>186,135</u>	<u>647,717</u>
Total capital assets being depreciated	<u>29,661,687</u>	<u>-</u>	<u>208,743</u>	<u>29,452,944</u>

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Land improvements	875,154	44,436	-	919,590
Buildings	7,796,037	621,391	-	8,417,428
Equipment	2,312,672	44,746	22,608	2,334,810
Vehicles	<u>695,860</u>	<u>37,093</u>	<u>186,135</u>	<u>546,818</u>
Total accumulated depreciation	<u>11,679,723</u>	<u>747,666</u>	<u>208,743</u>	<u>12,218,646</u>
Total capital assets being depreciated, net	<u>17,981,964</u>	<u>(747,666)</u>	<u>-</u>	<u>17,234,298</u>
Governmental activities capital assets, net	<u>\$ 22,501,329</u>	<u>\$ (747,666)</u>	<u>\$ -</u>	<u>\$ 21,753,663</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Instructional	\$ 568,458
Pupil support	35,529
Other support	71,057
Transportation	37,093
Administration	<u>35,529</u>
Total depreciation expense - governmental activities	<u>\$ 747,666</u>

D. Long-term Debt

Schedules of debt outstanding at June 30, 2013 are as follows:

Bonds Payable

	<u>1995 GO Bonds Issue April 1, 1995</u>		
<u>Fiscal Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 125,795	\$ 524,205	\$ 650,000
2015	<u>115,195</u>	<u>534,805</u>	<u>650,000</u>
Total	<u>\$ 240,990</u>	<u>\$ 1,059,010</u>	<u>\$ 1,300,000</u>

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

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

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

<u>Fiscal Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 132,071</u>	<u>\$ 1,432,071</u>

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>
2014	<u>\$ 335,000</u>	<u>\$ 13,400</u>	<u>\$ 348,400</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, 2013**

2004C School Bonds
Issue November 1, 2004

<u>Fiscal Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 9,342,854</u>	<u>\$ 24,262,146</u>	<u>\$ 33,605,000</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

The bonds payable will be liquidated by funds transferred from the General Fund to the Debt Services Fund.

**MANHATTAN SCHOOL DISTRICT NO. 114
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2013**

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>
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>\$ 11,218,844</u>	<u>\$ 25,466,627</u>	<u>\$ 36,685,471</u>

Prior Year Defeased Debt

In prior years, the District defeased various bond issues by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2013, \$1,640,000 of defeased bonds remain outstanding.

Legal Debt Margin

The District's legal debt margin as June 30, 2013 is calculated as follows:

Assessed valuation - 2012 tax year	<u>\$ 241,791,249</u>
Statutory debt limitation (15% of assessed valuation)*	\$ 36,268,687
Debt:	
Bonds payable	<u>11,218,844</u>
Legal debt margin	<u>\$ 25,049,843</u>

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

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

Long-term liability activity for the year ended June 30, 2013 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	\$ 12,404,603	\$ -	\$ 1,185,759	\$ 11,218,844	\$ 1,218,626
Deferred amount from issuance premium	<u>7,477,259</u>	<u>-</u>	<u>188,251</u>	<u>7,289,008</u>	<u>-</u>
Total	<u>\$ 19,881,862</u>	<u>\$ -</u>	<u>\$ 1,374,010</u>	<u>\$ 18,507,852</u>	<u>\$ 1,218,626</u>

E. Fund Balances

As of June 30, 2013, fund balances were comprised of the following:

	<u>General Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:			
Operations and maintenance	\$ 1,155,108	\$ -	\$ 1,155,108
Tort immunity	206,891	-	206,891
Transportation	-	797,959	797,959
Municipal Retirement/Social Security	<u>-</u>	<u>249,873</u>	<u>249,873</u>
Total restricted	<u>1,361,999</u>	<u>1,047,832</u>	<u>2,409,831</u>
Assigned to:			
Transportation	-	82,518	82,518
Municipal Retirement/Social Security	<u>-</u>	<u>9,258</u>	<u>9,258</u>
Total assigned	<u>-</u>	<u>91,776</u>	<u>91,776</u>
Unassigned	<u>7,317,179</u>	<u>-</u>	<u>7,317,179</u>
Total	<u>\$ 8,679,178</u>	<u>\$ 1,139,608</u>	<u>\$ 9,818,786</u>

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

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

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

On behalf contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2013, State of Illinois contributions were based on 28.05 percent of creditable earnings not paid from federal funds, and the District recognized revenue and expenditures of \$1,329,766 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2012 and 2011, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 24.91 percent (\$1,109,155) and 23.10 percent (\$1,026,891), respectively.

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

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

2.2 formula contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2013 were \$27,496. Contributions for the years ended June 30, 2012 and 2011 were \$25,820 and \$29,340, 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, 2013, the employer pension contribution was 28.05 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2012 and 2011, the employer contribution was 24.91 and 23.10 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2013, salaries totaling \$11,331 were paid from federal and special trust funds that required employer contributions of \$3,178. For the years ended June 30, 2012, and 2011, required District contributions were \$3,181 and \$2,804, respectively.

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

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

For the year ended June 30, 2013, the District paid \$0 to TRS for employer contributions under the ERO program. For the years ended June 30, 2012 and 2011, the District paid \$14,656 and \$0 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, 2013, the District paid \$0 to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2012 and 2011, the District paid \$11,259 and \$0 to TRS for employer contributions due on salary increases in excess of 6 percent, respectively.

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

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

For the year ended June 30, 2013, the District paid \$0 to TRS for sick leave days granted in excess of the normal annual allotment. For the years ended June 30, 2012 and 2011, 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, 2012. The report for the year ended June 30, 2013 is expected to be available in late 2013.

The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, 2815 West Washington Street, P.O. Box 19253, Springfield, IL 62794-9253. The most current report is also available on the TRS website 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 statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual contribution rate for calendar year 2012 was 11.20 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 2013 was \$113,673.

**MANHATTAN SCHOOL DISTRICT NO. 114
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2013**

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>
6/30/13	\$ 113,673	100	\$ -
6/30/12	102,190	100	-
6/30/11	104,218	100	-

The required contribution for fiscal year 2013 was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010 included (a) 7.5% 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, 2010 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the Regular plan of the District was 76.70 percent funded. The actuarial accrued liability for benefits was \$2,147,564 and the actuarial value of assets was \$1,647,178, resulting in an underfunded actuarial accrued liability (UAAL) of \$500,386. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$882,938 and the ratio of UAAL to the covered payroll was 57 percent.

The schedule of funding progress, included in the other information section, 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 \$58,586, the total required contribution for the current year.

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

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 retired 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. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the State make a contribution to THIS Fund.

The percentage of employer required contributions in the future will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

On behalf contributions to 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 0.92 percent of pay during the year ended June 30, 2013. State of Illinois contributions were \$43,614, and the District recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2012 and 2011 were 0.88 percent of pay, both years. State contributions on behalf of District employees were \$39,178 and \$39,119, respectively.

Employer contributions to THIS Fund. The District also makes contributions to THIS Fund. The employer THIS Fund contribution was 0.69 percent during the year ended June 30, 2013 and 0.66 percent during the years ended June 30, 2012 and 2011. For the year ended June 30, 2013, the District paid \$32,710 to the THIS Fund. For the years ended June 30, 2012 and 2011, the District paid \$29,383 and \$29,339 to the THIS Fund, 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 found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The 2013 report is listed under "Central Management Services." Prior reports are available under "Healthcare and Family Services."

**MANHATTAN SCHOOL DISTRICT NO. 114
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

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 2013, the District contributed \$10,402 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:

Annual required contribution	\$ 18,274
Interest on net OPEB obligation	941
Adjustment to annual required contribution	<u>(628)</u>
Annual OPEB cost (expense)	18,587
Contributions made	<u>10,402</u>
Change in net OPEB obligation	8,185
Net OPEB obligation at beginning of year	<u>23,535</u>
Net OPEB obligation at end of year	<u>\$ 31,720</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>
6/30/13	\$ 18,587	56.0	\$ 31,720
6/30/12	35,899	86.9	23,535
6/30/11	35,501	87.9	18,832

**MANHATTAN SCHOOL DISTRICT NO. 114
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2013**

Funded Status and Funding Progress. As of June 30, 2012, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$268,410 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$268,410. The covered payroll (annual payroll of active employees covered by the plan) was \$4,977,711 and the ratio of the UAAL to covered payroll was 5.4%.

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, included in the other information section, 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.

In the June 30, 2012 actuarial valuation, the entry age method was used. The actuarial assumptions included an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 6.0 percent. The UAAL is being amortized as a level percentage of projected pay on an open basis. The remaining amortization period at June 30, 2012 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 \$1,992,372 for special education, transportation, and related expenditures during the year ended June 30, 2013.

D. Tort Immunity Expenditures

Tort immunity expenditures for the year ended June 30, 2013 are summarized as follows:

Liability insurance	\$ 59,186
Workers' compensation	29,813
Legal fees	6,560
Unemployment insurance	<u>882</u>
Total	<u>\$ 96,441</u>

**MANHATTAN SCHOOL DISTRICT NO. 114
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2013**

E. Concentration

Substantially all nonmanagement employees are covered under a collective bargaining agreement that expires June 30, 2015.

F. Lease Commitments

The District is leasing school buses and computer equipment under operating lease agreements. Rent expense under these leases during the year ended June 30, 2013 was \$104,153.

Future minimum lease payments required under these leases in years ending June 30 are as follows:

2014	\$	196,834
2015		196,834
2016		130,021
2017		49,390
2018		<u>184,155</u>
Total	\$	<u>757,234</u>

G. Subsequent Events

Management has evaluated subsequent events through October 8, 2013, which is the date the financial statements were available to be issued.

H. New Accounting Standard

The Governmental Accounting Standards Board recently issued Statement No. 65 - *Items Previously Reported as Assets and Liabilities*, which will be effective for fiscal year 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The effects on the financial statements of adopting the new standard are not currently known by the District.

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

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**MANHATTAN SCHOOL DISTRICT 114
GENERAL FUND
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR JUNE 30, 2012**

	<u>Educational</u>	<u>Operations and Maintenance</u>	<u>Tort</u>	<u>Working Cash</u>	<u>Totals</u>	
					<u>2013</u>	<u>2012</u>
ASSETS						
Equity in pooled cash and investments	\$ 346,822	\$ 352,439	\$ 57,911	\$ 1,797,006	\$ 2,554,178	\$ 6,760,586
Investments	<u>3,750,000</u>	<u>1,625,000</u>	<u>150,000</u>	<u>600,000</u>	<u>6,125,000</u>	<u>2,964,028</u>
Total assets	<u>\$ 4,096,822</u>	<u>\$ 1,977,439</u>	<u>\$ 207,911</u>	<u>\$ 2,397,006</u>	<u>\$ 8,679,178</u>	<u>\$ 9,724,614</u>
FUND BALANCES						
Restricted	\$ -	\$ 1,155,108	\$ 206,891	\$ -	\$ 1,361,999	\$ 1,250,646
Unassigned	<u>4,096,822</u>	<u>822,331</u>	<u>1,020</u>	<u>2,397,006</u>	<u>7,317,179</u>	<u>8,473,968</u>
Total fund balances	<u>\$ 4,096,822</u>	<u>\$ 1,977,439</u>	<u>\$ 207,911</u>	<u>\$ 2,397,006</u>	<u>\$ 8,679,178</u>	<u>\$ 9,724,614</u>

**MANHATTAN SCHOOL DISTRICT 114
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Educational</u>	<u>Operations and Maintenance</u>	<u>Tort</u>	<u>Working Cash</u>	<u>Totals</u>	
					<u>2013</u>	<u>2012</u>
Revenues:						
Local sources:						
Property taxes	\$ 7,478,138	\$ 1,151,138	\$ 163,861	\$ 88,655	\$ 8,881,792	\$ 7,969,757
Investment income	2,879	2,117	74	1,150	6,220	8,031
Other	<u>570,670</u>	<u>72,547</u>	<u>-</u>	<u>-</u>	<u>643,217</u>	<u>690,465</u>
Total local sources	<u>8,051,687</u>	<u>1,225,802</u>	<u>163,935</u>	<u>89,805</u>	<u>9,531,229</u>	<u>8,668,253</u>
State sources:						
General state aid	686,190	-	-	-	686,190	671,603
Grants-in-aid	<u>509,928</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>559,928</u>	<u>6,388,148</u>
Total state sources	<u>1,196,118</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>1,246,118</u>	<u>7,059,751</u>
Federal sources:						
Grants-in-aid	<u>294,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>294,065</u>	<u>307,867</u>
On behalf revenues	<u>1,373,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,373,380</u>	<u>1,148,333</u>
Total revenues	<u>10,915,250</u>	<u>1,275,802</u>	<u>163,935</u>	<u>89,805</u>	<u>12,444,792</u>	<u>17,184,204</u>
Expenditures:						
Current:						
Instruction	<u>6,285,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,285,141</u>	<u>5,778,010</u>
Support services:						
Pupils	633,746	-	-	-	633,746	611,980
Instructional staff	190,804	-	-	-	190,804	99,352
General administration	352,453	-	96,441	-	448,894	461,471
School administration	534,640	-	-	-	534,640	537,373
Business	<u>234,930</u>	<u>1,111,552</u>	<u>-</u>	<u>-</u>	<u>1,346,482</u>	<u>1,980,566</u>
Total support services	<u>1,946,573</u>	<u>1,111,552</u>	<u>96,441</u>	<u>-</u>	<u>3,154,566</u>	<u>3,690,742</u>
Community services	<u>17,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,342</u>	<u>14,869</u>
Payments to other districts and government units	<u>1,576,495</u>	<u>45,653</u>	<u>-</u>	<u>-</u>	<u>1,622,148</u>	<u>1,487,630</u>
Total expenditures	<u>9,825,551</u>	<u>1,157,205</u>	<u>96,441</u>	<u>-</u>	<u>11,079,197</u>	<u>10,971,251</u>

	<u>Educational</u>	<u>Operations and Maintenance</u>	<u>Tort</u>	<u>Working Cash</u>	<u>Totals</u>	
					<u>2013</u>	<u>2012</u>
Excess of revenues over expenditures	<u>1,089,699</u>	<u>118,597</u>	<u>67,494</u>	<u>89,805</u>	<u>1,365,595</u>	<u>6,212,953</u>
Other financing sources (uses):						
Transfers out	<u>(2,411,031)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,411,031)</u>	<u>(2,295,556)</u>
Intrafund transfers	<u>1,150</u>	<u>-</u>	<u>-</u>	<u>(1,150)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,409,881)</u>	<u>-</u>	<u>-</u>	<u>(1,150)</u>	<u>(2,411,031)</u>	<u>(2,295,556)</u>
Net change in fund balances	<u>(1,320,182)</u>	<u>118,597</u>	<u>67,494</u>	<u>88,655</u>	<u>(1,045,436)</u>	<u>3,917,397</u>
Fund balances at beginning of year	<u>5,417,004</u>	<u>1,858,842</u>	<u>140,417</u>	<u>2,308,351</u>	<u>9,724,614</u>	<u>5,807,217</u>
Fund balances at end of year	<u>\$ 4,096,822</u>	<u>\$ 1,977,439</u>	<u>\$ 207,911</u>	<u>\$ 2,397,006</u>	<u>\$ 8,679,178</u>	<u>\$ 9,724,614</u>

EDUCATIONAL FUND

**MANHATTAN SCHOOL DISTRICT 114
 EDUCATIONAL FUND
 BALANCE SHEET - MODIFIED CASH BASIS
 JUNE 30, 2013
 WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Equity in pooled cash and investments	\$ 346,822	\$ 3,318,976
Investments	<u>3,750,000</u>	<u>2,098,028</u>
Total assets	<u>\$ 4,096,822</u>	<u>\$ 5,417,004</u>
 FUND BALANCES		
Unassigned	<u>\$ 4,096,822</u>	<u>\$ 5,417,004</u>

**MANHATTAN SCHOOL DISTRICT 114
EDUCATIONAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013			2012
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Local sources:				
Property taxes	\$ 7,010,934	\$ 7,478,138	\$ 467,204	\$ 6,673,880
Investment income	7,500	2,879	(4,621)	1,678
Other	<u>421,700</u>	<u>570,670</u>	<u>148,970</u>	<u>623,867</u>
Total local sources	<u>7,440,134</u>	<u>8,051,687</u>	<u>611,553</u>	<u>7,299,425</u>
State sources:				
General state aid	769,531	686,190	(83,341)	671,603
Grants-in-aid	<u>462,500</u>	<u>509,928</u>	<u>47,428</u>	<u>6,388,148</u>
Total state sources	<u>1,232,031</u>	<u>1,196,118</u>	<u>(35,913)</u>	<u>7,059,751</u>
Federal sources:				
Grants-in-aid	<u>330,173</u>	<u>294,065</u>	<u>(36,108)</u>	<u>307,867</u>
On behalf revenues	<u>-</u>	<u>1,373,380</u>	<u>1,373,380</u>	<u>1,148,333</u>
Total revenues	<u>9,002,338</u>	<u>10,915,250</u>	<u>1,912,912</u>	<u>15,815,376</u>
Expenditures:				
Current:				
Instruction	<u>5,271,700</u>	<u>6,285,141</u>	<u>(1,013,441)</u>	<u>5,778,010</u>
Support services:				
Pupils	650,790	633,746	17,044	611,980
Instructional staff	177,600	190,804	(13,204)	99,352
General administration	361,467	352,453	9,014	344,532
School administration	533,700	534,640	(940)	537,373
Business	<u>290,000</u>	<u>234,930</u>	<u>55,070</u>	<u>263,018</u>
Total support services	<u>2,013,557</u>	<u>1,946,573</u>	<u>66,984</u>	<u>1,856,255</u>

	<u>2013</u>		<u>2012</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Community services	<u>17,000</u>	<u>17,342</u>	<u>(342)</u>	<u>14,869</u>
Payments to other districts and government units	<u>1,545,500</u>	<u>1,576,495</u>	<u>(30,995)</u>	<u>1,445,432</u>
Total expenditures	<u>8,847,757</u>	<u>9,825,551</u>	<u>(977,794)</u>	<u>9,094,566</u>
Excess of revenues over expenditures	<u>154,581</u>	<u>1,089,699</u>	<u>935,118</u>	<u>6,720,810</u>
Other financing sources (uses):				
Transfers in	4,000	1,150	(2,850)	3,843
Transfers out	<u>(2,411,031)</u>	<u>(2,411,031)</u>	<u>-</u>	<u>(2,295,556)</u>
Total other financing sources (uses)	<u>(2,407,031)</u>	<u>(2,409,881)</u>	<u>(2,850)</u>	<u>(2,291,713)</u>
Net change in fund balances	(2,252,450)	(1,320,182)	932,268	4,429,097
Fund balances at beginning of year	<u>5,417,004</u>	<u>5,417,004</u>	<u>-</u>	<u>987,907</u>
Fund balances (deficit) at end of year	<u>\$ 3,164,554</u>	<u>\$ 4,096,822</u>	<u>\$ 932,268</u>	<u>\$ 5,417,004</u>

OPERATIONS AND MAINTENANCE FUND

**MANHATTAN SCHOOL DISTRICT 114
OPERATIONS AND MAINTENANCE FUND
BALANCE SHEET - MODIFIED CASH BASIS
JUNE 30, 2013
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Equity in pooled cash and investments	\$ 352,439	\$ 992,842
Investments	<u>1,625,000</u>	<u>866,000</u>
Total assets	<u>\$ 1,977,439</u>	<u>\$ 1,858,842</u>
FUND BALANCES		
Restricted	\$ 1,155,108	\$ 1,111,175
Unassigned	<u>822,331</u>	<u>747,667</u>
Total fund balances	<u>\$ 1,977,439</u>	<u>\$ 1,858,842</u>

**MANHATTAN SCHOOL DISTRICT 114
OPERATIONS AND MAINTENANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2013</u>			<u>2012</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Local sources:				
Property taxes	\$ 1,094,106	\$ 1,151,138	\$ 57,032	\$ 1,023,585
Investment income	2,000	2,117	117	2,444
Other	<u>61,000</u>	<u>72,547</u>	<u>11,547</u>	<u>66,598</u>
Total local sources	1,157,106	1,225,802	68,696	1,092,627
State sources:				
Grants-in-aid	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,207,106</u>	<u>1,275,802</u>	<u>68,696</u>	<u>1,092,627</u>
Expenditures:				
Current:				
Support services:				
Business	1,121,200	1,111,552	9,648	1,717,548
Payments to other districts and government units	<u>43,500</u>	<u>45,653</u>	<u>(2,153)</u>	<u>42,198</u>
Total expenditures	<u>1,164,700</u>	<u>1,157,205</u>	<u>7,495</u>	<u>1,759,746</u>
Excess (deficiency) of revenues over (under) expenditures	42,406	118,597	76,191	(667,119)
Fund balances at beginning of year	<u>1,858,842</u>	<u>1,858,842</u>	<u>-</u>	<u>2,525,961</u>
Fund balances at end of year	<u>\$ 1,901,248</u>	<u>\$ 1,977,439</u>	<u>\$ 76,191</u>	<u>\$ 1,858,842</u>

TORT FUND

**MANHATTAN SCHOOL DISTRICT 114
TORT FUND
BALANCE SHEET - MODIFIED CASH BASIS
JUNE 30, 2013
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Equity in pooled cash and investments	\$ 57,911	\$ 140,417
Investments	<u>150,000</u>	<u>-</u>
Total assets	<u>\$ 207,911</u>	<u>\$ 140,417</u>
FUND BALANCES		
Restricted	\$ 206,891	\$ 139,471
Unassigned	<u>1,020</u>	<u>946</u>
Total fund balances	<u>\$ 207,911</u>	<u>\$ 140,417</u>

**MANHATTAN SCHOOL DISTRICT 114
TORT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013			2012
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Local sources:				
Property taxes	\$ 156,191	\$ 163,861	\$ 7,670	\$ 148,561
Investment income	<u> -</u>	<u> 74</u>	<u> 74</u>	<u> 66</u>
Total revenues	156,191	163,935	7,744	148,627
Expenditures:				
Current:				
Support services:				
General administration	<u>135,000</u>	<u>96,441</u>	<u>38,559</u>	<u>116,939</u>
Excess of revenues over expenditures	21,191	67,494	46,303	31,688
Fund balances at beginning of year	<u>140,417</u>	<u>140,417</u>	<u> -</u>	<u>108,729</u>
Fund balance at end of year	<u>\$ 161,608</u>	<u>\$ 207,911</u>	<u>\$ 46,303</u>	<u>\$ 140,417</u>

WORKING CASH FUND

MANHATTAN SCHOOL DISTRICT 114
WORKING CASH FUND
BALANCE SHEET - MODIFIED CASH BASIS
JUNE 30, 2013
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Equity in pooled cash and investments	\$ 1,797,006	\$ 2,308,351
Investments	<u>600,000</u>	<u>-</u>
Total assets	<u>\$ 2,397,006</u>	<u>\$ 2,308,351</u>
FUND BALANCES		
Unassigned	<u>\$ 2,397,006</u>	<u>\$ 2,308,351</u>

**MANHATTAN SCHOOL DISTRICT 114
WORKING CASH FUND
SCHEDULE OF REVENUES AND CHANGES IN FUND
BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2013</u>			<u>2012</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Local sources:				
Property taxes	\$ 124,953	\$ 88,655	\$ (36,298)	\$ 123,731
Investment income	<u>4,000</u>	<u>1,150</u>	<u>(2,850)</u>	<u>3,843</u>
Total revenues	128,953	89,805	(39,148)	127,574
Other financing uses:				
Transfers out	<u>(4,000)</u>	<u>(1,150)</u>	<u>2,850</u>	<u>(3,843)</u>
Net change in fund balances	124,953	88,655	(36,298)	123,731
Fund balances at beginning of year	<u>2,308,351</u>	<u>2,308,351</u>	<u>-</u>	<u>2,184,620</u>
Fund balances at end of year	<u>\$ 2,433,304</u>	<u>\$ 2,397,006</u>	<u>\$ (36,298)</u>	<u>\$ 2,308,351</u>

DEBT SERVICES FUND

**MANHATTAN SCHOOL DISTRICT 114
DEBT SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2013</u>			<u>2012</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Expenditures:				
Debt service:				
Principal	\$ 1,185,759	\$ 1,185,759	\$ -	\$ 1,180,416
Interest	<u>1,225,272</u>	<u>1,225,272</u>	<u>-</u>	<u>1,115,140</u>
Total expenditures	2,411,031	2,411,031	-	2,295,556
Other financing sources:				
Transfers in	<u>2,411,031</u>	<u>2,411,031</u>	<u>-</u>	<u>2,295,556</u>
Net change in fund balances	-	-	-	-
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

NONMAJOR GOVERNMENTAL FUNDS

**MANHATTAN SCHOOL DISTRICT 114
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS -
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013**

	Special Revenue		Total
	Transportation	Municipal Retirement/ Social Security	Nonmajor Governmental Funds
ASSETS			
Equity in pooled cash and investments	<u>\$ 880,477</u>	<u>\$ 259,131</u>	<u>\$ 1,139,608</u>
FUND BALANCES			
Restricted	\$ 797,959	\$ 249,873	\$ 1,047,832
Assigned	<u>82,518</u>	<u>9,258</u>	<u>91,776</u>
Total fund balances	<u>\$ 880,477</u>	<u>\$ 259,131</u>	<u>\$ 1,139,608</u>

MANHATTAN SCHOOL DISTRICT 114
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue		Total
	Transportation	Municipal Retirement/ Social Security	Nonmajor Governmental Funds
Revenues:			
Local sources:			
Property taxes	\$ 487,242	\$ 280,627	\$ 767,869
Investment income	518	86	604
Other	<u>11,029</u>	<u>-</u>	<u>11,029</u>
Total local sources	498,789	280,713	779,502
State sources:			
Grants-in-aid	<u>571,352</u>	<u>-</u>	<u>571,352</u>
Total revenues	<u>1,070,141</u>	<u>280,713</u>	<u>1,350,854</u>
Expenditures:			
Current:			
Instruction	-	88,337	88,337
Support services	549,261	154,124	703,385
Payments to other districts and government units	<u>328,843</u>	<u>-</u>	<u>328,843</u>
Total expenditures	<u>878,104</u>	<u>242,461</u>	<u>1,120,565</u>
Excess of revenues over expenditures	192,037	38,252	230,289
Fund balances at beginning of year	<u>688,440</u>	<u>220,879</u>	<u>909,319</u>
Fund balances at end of year	<u>\$ 880,477</u>	<u>\$ 259,131</u>	<u>\$ 1,139,608</u>

SPECIAL REVENUE FUNDS

TRANSPORTATION FUND

**MANHATTAN SCHOOL DISTRICT 114
TRANSPORTATION FUND
BALANCE SHEET - MODIFIED CASH BASIS
JUNE 30, 2013
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Equity in pooled cash and investments	\$ <u>880,477</u>	\$ <u>688,440</u>
FUND BALANCES		
Restricted	\$ 797,959	\$ 617,469
Assigned	<u>82,518</u>	<u>70,971</u>
Total fund balances	<u>\$ 880,477</u>	<u>\$ 688,440</u>

**MANHATTAN SCHOOL DISTRICT 114
TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2013</u>			<u>2012</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Local sources:				
Property taxes	\$ 469,086	\$ 487,242	\$ 18,156	\$ 446,450
Investment income	1,000	518	(482)	967
Other	<u>4,800</u>	<u>11,029</u>	<u>6,229</u>	<u>6,295</u>
Total local sources	474,886	498,789	23,903	453,712
State sources:				
Grants-in-aid	<u>409,000</u>	<u>571,352</u>	<u>162,352</u>	<u>403,847</u>
Total revenues	<u>883,886</u>	<u>1,070,141</u>	<u>186,255</u>	<u>857,559</u>
Expenditures:				
Current:				
Support services:				
Business	578,390	549,261	29,129	511,892
Payments to other districts and government units	285,000	328,843	(43,843)	285,820
Debt service:				
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,351</u>
Total expenditures	<u>863,390</u>	<u>878,104</u>	<u>(14,714)</u>	<u>803,063</u>
Excess of revenues over expenditures	20,496	192,037	171,541	54,496
Fund balances at beginning of year	<u>688,440</u>	<u>688,440</u>	<u>-</u>	<u>633,944</u>
Fund balances at end of year	<u>\$ 708,936</u>	<u>\$ 880,477</u>	<u>\$ 171,541</u>	<u>\$ 688,440</u>

MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND

**MANHATTAN SCHOOL DISTRICT 114
MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND
BALANCE SHEET - MODIFIED CASH BASIS
JUNE 30, 2013
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Equity in pooled cash and investments	\$ <u>259,131</u>	\$ <u>220,879</u>
FUND BALANCES		
Restricted	\$ 249,873	\$ 211,707
Assigned	<u>9,258</u>	<u>9,172</u>
Total fund balances	<u>\$ 259,131</u>	<u>\$ 220,879</u>

**MANHATTAN SCHOOL DISTRICT 114
MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2013</u>			<u>2012</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Local sources:				
Property taxes	\$ 260,148	\$ 280,627	\$ 20,479	\$ 246,118
Investment income	-	86	86	104
Total revenues	<u>260,148</u>	<u>280,713</u>	<u>20,565</u>	<u>246,222</u>
Expenditures:				
Current:				
Instruction	<u>92,300</u>	<u>88,337</u>	<u>3,963</u>	<u>79,694</u>
Support services:				
Pupils	24,360	23,631	729	23,630
Instructional staff	15,000	13,649	1,351	8,582
General administration	9,800	9,442	358	8,888
School administration	26,000	23,271	2,729	24,556
Business	<u>84,800</u>	<u>84,131</u>	<u>669</u>	<u>81,306</u>
Total support services	<u>159,960</u>	<u>154,124</u>	<u>5,836</u>	<u>146,962</u>
Total expenditures	<u>252,260</u>	<u>242,461</u>	<u>9,799</u>	<u>226,656</u>
Excess of revenues over expenditures	7,888	38,252	30,364	19,566
Fund balances at beginning of year	<u>220,879</u>	<u>220,879</u>	-	<u>201,313</u>
Fund balances at end of year	<u>\$ 228,767</u>	<u>\$ 259,131</u>	<u>\$ 30,364</u>	<u>\$ 220,879</u>

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES - MODIFIED CASH BASIS - ACTUAL AND BUDGET

MANHATTAN SCHOOL DISTRICT 114
SCHEDULE OF EXPENDITURES - MODIFIED CASH BASIS - ACTUAL AND BUDGET
YEAR ENDED JUNE 30, 2013

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Supplies and Materials</u>
Educational Fund:				
Instruction:				
Regular programs	\$ 3,064,167	\$ 1,724,741	\$ 70,306	\$ 171,895
Special education programs	823,459	95,170	215	8,913
Interscholastic programs	61,721	617	2,524	4,082
Special education programs K-12 - private tuition	-	-	-	-
Summer school programs - private tuition	-	-	-	-
Total instruction	<u>3,949,347</u>	<u>1,820,528</u>	<u>73,045</u>	<u>184,890</u>
Support services:				
Pupils:				
Attendance and social work services	140,242	7,743	-	532
Health services	90,559	16,495	-	2,061
Psychological services	46,410	5,676	13,260	-
Speech pathology and audiology services	121,109	18,195	26,966	713
Other support services - pupils	<u>142,141</u>	<u>1,644</u>	<u>-</u>	<u>-</u>
Total pupils	<u>540,461</u>	<u>49,753</u>	<u>40,226</u>	<u>3,306</u>
Instructional staff:				
Improvement of instruction services	-	21,930	76,880	9,826
Educational media services	<u>72,695</u>	<u>6,588</u>	<u>2,670</u>	<u>215</u>
Total instructional staff	<u>72,695</u>	<u>28,518</u>	<u>79,550</u>	<u>10,041</u>
General administration:				
Board of Education services	-	-	13,006	366
Executive administration services	<u>234,139</u>	<u>99,292</u>	<u>250</u>	<u>387</u>
Total general administration	<u>234,139</u>	<u>99,292</u>	<u>13,256</u>	<u>753</u>
School administration:				
Office of the principal services	<u>397,075</u>	<u>135,317</u>	<u>1,553</u>	<u>-</u>

<u>Capital Outlay</u>	<u>Other Objects</u>	<u>Non- Capitalized Equipment</u>	<u>Termination Benefits</u>	<u>Totals</u>		
				<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
\$ -	\$ 850	\$ 73,632	\$ 7,288	\$ 5,112,879	\$ 4,086,100	\$ (1,026,779)
-	-	4,592	-	932,349	948,500	16,151
-	75	-	-	69,019	65,100	(3,919)
-	148,649	-	-	148,649	145,000	(3,649)
-	<u>22,245</u>	-	-	<u>22,245</u>	<u>27,000</u>	<u>4,755</u>
-	<u>171,819</u>	<u>78,224</u>	<u>7,288</u>	<u>6,285,141</u>	<u>5,271,700</u>	<u>(1,013,441)</u>
-	-	-	-	148,517	153,950	5,433
-	-	-	-	109,115	112,790	3,675
-	-	-	-	65,346	64,050	(1,296)
-	-	-	-	166,983	174,200	7,217
-	-	-	-	<u>143,785</u>	<u>145,800</u>	<u>2,015</u>
-	-	-	-	<u>633,746</u>	<u>650,790</u>	<u>17,044</u>
-	-	-	-	108,636	75,000	(33,636)
-	-	-	-	<u>82,168</u>	<u>102,600</u>	<u>20,432</u>
-	-	-	-	<u>190,804</u>	<u>177,600</u>	<u>(13,204)</u>
-	3,015	-	-	16,387	16,500	113
-	<u>1,998</u>	-	-	<u>336,066</u>	<u>344,967</u>	<u>8,901</u>
-	<u>5,013</u>	-	-	<u>352,453</u>	<u>361,467</u>	<u>9,014</u>
-	<u>695</u>	-	-	<u>534,640</u>	<u>533,700</u>	<u>(940)</u>

(continued)

MANHATTAN SCHOOL DISTRICT 114
SCHEDULE OF EXPENDITURES - MODIFIED CASH BASIS - ACTUAL AND BUDGET
YEAR ENDED JUNE 30, 2013

	Salaries	Employee Benefits	Purchased Services	Supplies and Materials
Business:				
Fiscal services	37,237	20,681	30,133	1,387
Food services	-	-	119,806	24,710
Total business	37,237	20,681	149,939	26,097
Total support services	1,281,607	333,561	284,524	40,197
Community services	-	-	16,695	647
Payments to other districts and government units:				
Payments for special education programs	-	-	85,304	-
Total Educational Fund	\$ 5,230,954	\$ 2,154,089	\$ 459,568	\$ 225,734
Operations and Maintenance Fund:				
Support services:				
Business:				
Facilities acquisition and construction services	\$ -	\$ -	\$ 167,243	\$ -
Operation and maintenance of plant services	131,586	35,299	520,273	246,399
Total business	131,586	35,299	687,516	246,399
Payments to other districts and government units:				
Other	-	-	45,653	-
Total Operations and Maintenance Fund	\$ 131,586	\$ 35,299	\$ 733,169	\$ 246,399

<u>Capital Outlay</u>	<u>Other Objects</u>	<u>Non- Capitalized Equipment</u>	<u>Termination Benefits</u>	<u>Totals</u>		
				<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
-	976	-	-	90,414	104,000	13,586
-	-	-	-	<u>144,516</u>	<u>186,000</u>	<u>41,484</u>
-	976	-	-	234,930	290,000	55,070
-	6,684	-	-	<u>1,946,573</u>	<u>2,013,557</u>	<u>66,984</u>
-	-	-	-	<u>17,342</u>	<u>17,000</u>	<u>(342)</u>
-	1,491,191	-	-	<u>1,576,495</u>	<u>1,545,500</u>	<u>(30,995)</u>
<u>\$ -</u>	<u>\$ 1,669,694</u>	<u>\$ 78,224</u>	<u>\$ 7,288</u>	<u>\$ 9,825,551</u>	<u>\$ 8,847,757</u>	<u>\$ (977,794)</u>
\$ -	\$ -	\$ -	\$ -	\$ 167,243	\$ 162,000	\$ (5,243)
-	10,752	-	-	<u>944,309</u>	<u>959,200</u>	<u>14,891</u>
-	10,752	-	-	1,111,552	1,121,200	9,648
-	-	-	-	<u>45,653</u>	<u>43,500</u>	<u>(2,153)</u>
<u>\$ -</u>	<u>\$ 10,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,157,205</u>	<u>\$ 1,164,700</u>	<u>\$ 7,495</u>

(continued)

MANHATTAN SCHOOL DISTRICT 114
SCHEDULE OF EXPENDITURES - MODIFIED CASH BASIS - ACTUAL AND BUDGET
YEAR ENDED JUNE 30, 2013

	Salaries	Employee Benefits	Purchased Services	Supplies and Materials
Tort Fund:				
Support services:				
General administration:				
Workers' compensation payments	\$ -	\$ -	\$ 29,813	\$ -
Unemployment insurance payments	-	882	-	-
Legal services	-	-	6,560	-
Liability insurance	-	-	<u>59,186</u>	-
Total Tort Fund	<u>\$ -</u>	<u>\$ 882</u>	<u>\$ 95,559</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	\$ 283,021	\$ 30,528	\$ 51,749	\$ 146,623
Payments to other districts and government units:				
Payments for special education programs	-	-	<u>328,843</u>	-
Total Transportation Fund	<u>\$ 283,021</u>	<u>\$ 30,528</u>	<u>\$ 380,592</u>	<u>\$ 146,623</u>
Municipal Retirement/Social Security Fund:				
Instruction:				
Regular programs	\$ -	\$ 49,474	\$ -	\$ -
Special education programs	-	37,155	-	-
Interscholastic programs	-	<u>1,708</u>	-	-
Total instruction	-	<u>88,337</u>	-	-

<u>Capital Outlay</u>	<u>Other Objects</u>	<u>Non- Capitalized Equipment</u>	<u>Termination Benefits</u>	<u>Totals</u>		
				<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
\$ -	\$ -	\$ -	\$ -	\$ 29,813	\$ 35,000	\$ 5,187
-	-	-	-	882	25,000	24,118
-	-	-	-	6,560	20,000	13,440
-	-	-	-	<u>59,186</u>	<u>55,000</u>	<u>(4,186)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,441</u>	<u>\$ 135,000</u>	<u>\$ 38,559</u>
\$ -	\$ 1,185,759	\$ -	\$ -	\$ 1,185,759	\$ 1,185,759	\$ -
-	<u>1,225,272</u>	-	-	<u>1,225,272</u>	<u>1,225,272</u>	-
<u>\$ -</u>	<u>\$ 2,411,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,411,031</u>	<u>\$ 2,411,031</u>	<u>\$ -</u>
\$ 37,340	\$ -	\$ -	\$ -	\$ 549,261	\$ 578,390	\$ 29,129
-	-	-	-	<u>328,843</u>	<u>285,000</u>	<u>(43,843)</u>
<u>\$ 37,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 878,104</u>	<u>\$ 863,390</u>	<u>\$ (14,714)</u>
\$ -	\$ -	\$ -	\$ -	\$ 49,474	\$ 54,000	\$ 4,526
-	-	-	-	37,155	36,500	(655)
-	-	-	-	<u>1,708</u>	<u>1,800</u>	<u>92</u>
-	-	-	-	<u>88,337</u>	<u>92,300</u>	<u>3,963</u>

(continued)

MANHATTAN SCHOOL DISTRICT 114
SCHEDULE OF EXPENDITURES - MODIFIED CASH BASIS - ACTUAL AND BUDGET
YEAR ENDED JUNE 30, 2013

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Supplies and Materials</u>
Support services:				
Pupils:				
Attendance and social work services	-	2,017	-	-
Health services	-	16,512	-	-
Psychological Services	-	658	-	-
Speech pathology and audiology services	-	1,598	-	-
Other support services - pupils	-	2,846	-	-
	<u>-</u>	<u>23,631</u>	<u>-</u>	<u>-</u>
Total pupils	<u>-</u>	<u>23,631</u>	<u>-</u>	<u>-</u>
Instructional staff:				
Educational media services	-	13,649	-	-
	<u>-</u>	<u>13,649</u>	<u>-</u>	<u>-</u>
General administration:				
Executive administration services	-	9,442	-	-
	<u>-</u>	<u>9,442</u>	<u>-</u>	<u>-</u>
School administration:				
Office of the principal services	-	23,271	-	-
	<u>-</u>	<u>23,271</u>	<u>-</u>	<u>-</u>
Business:				
Fiscal services	-	7,476	-	-
Operation and maintenance of plant services	-	23,486	-	-
Pupil transportation services	-	53,169	-	-
	<u>-</u>	<u>84,131</u>	<u>-</u>	<u>-</u>
Total business	<u>-</u>	<u>84,131</u>	<u>-</u>	<u>-</u>
Total support services	<u>-</u>	<u>154,124</u>	<u>-</u>	<u>-</u>
Total Municipal Retirement/ Social Security Fund	<u>\$ -</u>	<u>\$ 242,461</u>	<u>\$ -</u>	<u>\$ -</u>
Total expenditures	<u>\$ 5,645,561</u>	<u>\$ 2,463,259</u>	<u>\$ 1,668,888</u>	<u>\$ 618,756</u>

<u>Capital Outlay</u>	<u>Other Objects</u>	<u>Non- Capitalized Equipment</u>	<u>Termination Benefits</u>	<u>Totals</u>		
				<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
-	-	-	-	2,017	2,100	83
-	-	-	-	16,512	16,800	288
-	-	-	-	658	690	32
-	-	-	-	1,598	1,870	272
-	-	-	-	2,846	2,900	54
-	-	-	-	23,631	24,360	729
-	-	-	-	13,649	15,000	1,351
-	-	-	-	9,442	9,800	358
-	-	-	-	23,271	26,000	2,729
-	-	-	-	7,476	7,800	324
-	-	-	-	23,486	23,000	(486)
-	-	-	-	53,169	54,000	831
-	-	-	-	84,131	84,800	669
-	-	-	-	154,124	159,960	5,836
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,461</u>	<u>\$ 252,260</u>	<u>\$ 9,799</u>
<u>\$ 37,340</u>	<u>\$ 4,091,477</u>	<u>\$ 78,224</u>	<u>\$ 7,288</u>	<u>\$ 14,610,793</u>	<u>\$ 13,674,138</u>	<u>\$ (936,655)</u> (concluded)

OTHER INFORMATION SECTION

**MANHATTAN SCHOOL DISTRICT 114
SCHEDULE OF FUNDING PROGRESS -
ILLINOIS MUNICIPAL RETIREMENT FUND
JUNE 30, 2013**

<u>Actuarial Valuation Date (1)</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</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>
December 31, 2012	\$ 1,647,178	\$ 2,147,564	\$ 500,386	76.70%	\$ 882,938	56.67%
December 31, 2011	1,478,391	1,991,382	512,991	74.24	890,284	57.62
December 31, 2010	1,392,808	1,884,474	491,666	73.91	996,033	49.36

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$1,697,405. On a market basis, the funded ratio would be 79.04%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with Manhattan School District 114. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

(1) Most recent information available.

**MANHATTAN SCHOOL DISTRICT 114
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS -
HEALTH INSURANCE PLAN FOR RETIRED EMPLOYEES
JUNE 30, 2013**

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</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, 2012	\$ 0	\$ 268,410	\$ 268,410	0.0%	\$ 4,977,711	5.4%
June 30, 2009	0	444,947	444,947	0.0	N/A	N/A

N/A - Information not available

EMPLOYER CONTRIBUTIONS

<u>Year Ended</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
June 30, 2013	\$ 18,274	56.9%
June 30, 2012	35,774	87.2
June 30, 2011	35,501	87.9