

MANHATTAN SCHOOL DISTRICT 114  
MANHATTAN, ILLINOIS  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2016

MOSE, YOCKEY, BROWN & KULL, LLC  
CERTIFIED PUBLIC ACCOUNTANTS  
SHELBYVILLE, ILLINOIS

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## **Financial Section**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Manhattan School District 114  
Manhattan, Illinois

### **Report on the Financial Statements**

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Manhattan School District 114 (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, 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 1; 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 fraud or error.

### **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. 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 District'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 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 respect, the respective modified cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Manhattan School District 114 as of June 30, 2016, the respective

changes in modified cash-basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which 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 Matters**

#### *Other Information*

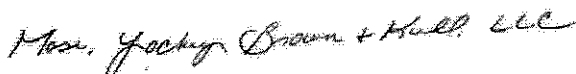
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Manhattan School District 114's basic financial statements. The combining, individual fund financial statements and other information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information schedules listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2016, 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 result 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.



Mose, Yockey, Brown & Kull, LLC  
Certified Public Accountants

Shelbyville, Illinois

November 9, 2016

**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**

To the Board of Education  
Manhattan School District 114  
Manhattan, Illinois

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, the business-type activities, each major fund and the aggregate remaining fund information of the Manhattan School District 114 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Manhattan School District 114' basic financial statements and have issued our report thereon dated November 9, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Manhattan School District 114' 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' internal control. Accordingly, we do not express an opinion on the effectiveness of Manhattan School District 114' internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiency in internal control, described in the accompanying schedule of findings as Findings 2016-005 that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Manhattan School District 114' 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as Findings 2016-001, 2016-002, 2016-003, and 2016-004.

### **Manhattan School District 114's Response to Findings**

Manhattan School District 114's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 it.

### **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 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.



Mose, Yockey, Brown & Kull, LLC  
Certified Public Accountants

Shelbyville, Illinois

November 9, 2016



## **Basic Financial Statements**

**Government-Wide  
Financial Statements (GWFS)**

**MANHATTAN SCHOOL DISTRICT 114**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
June 30, 2016

		<u>Governmental Activities</u>
<b>Assets:</b>		
Current Assets:		
Cash and Cash Equivalents	\$	2,266,046
Certificates of Deposit		5,021,114
Payroll Receivables		12,820
Total Current Assets	\$	<u>7,299,980</u>
Noncurrent Assets:		
Capital Assets:		
Land		4,519,365
Land Improvements, net		155,202
Buildings, net		14,732,790
Equipment, furniture and vehicles, net		139,615
Total Noncurrent Assets	\$	<u>19,546,972</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>26,846,952</u></b>
Deferred Outflows of Resources:		
Unamortized Loss on Refunding	\$	<u>1,033,329</u>
<b>Liabilities:</b>		
Current Liabilities:		
Bank Overdraft	\$	87,600
Bonded Debt Due Within One Year		905,927
Total Current Liabilities	\$	993,527
Noncurrent Liabilities:		
Bonded Debt Due in More Than One Year		16,188,869
<b>Total Liabilities</b>	<b>\$</b>	<b><u>17,182,396</u></b>
<b>Net Position:</b>		
Net Investment in Capital Assets	\$	7,124,094
Restricted for:		
Operations and Maintenance		996,846
Transportation		976,628
Retirement Benefits		299,263
Tort Immunity		134,718
Unrestricted		1,166,336
<b>Total Net Position</b>	<b>\$</b>	<b><u>10,697,885</u></b>

The accompanying notes are an integral part of these financial statements.

**MANHATTAN SCHOOL DISTRICT 114**  
**STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS**  
**FISCAL YEAR ENDED JUNE 30, 2016**

	Program Receipts/Revenues		Net (Disbursements) Revenue and Change in Net Position
	Disbursements	Fees, Fines, and Charges for Services	
<b>Functions/Programs:</b>			
Governmental Activities:			
Instructional	\$ 6,829,017	\$ 223,978	\$ (5,710,022)
Pupil Support Services	2,514,430	--	(2,514,430)
Administrative Support Services	1,139,446	--	(1,138,628)
Other Support Services	1,667,993	125,225	(1,481,257)
Transportation	982,334	6,555	(376,596)
Interest Expense	1,687,435	--	(1,687,435)
<b>Total Governmental Activities</b>	<b>\$ 14,820,655</b>	<b>\$ 355,758</b>	<b>\$ (12,908,368)</b>

General Receipts/Revenues:		
Property Taxes	\$ 9,668,928	
Replacement Taxes	134,832	
General State Aid	2,331,683	
Earnings on Investments	7,055	
Impact Fees from Municipal or County Governments	34,383	
Refund of Prior Years' Expenditures	148,548	
Other Income	92,167	
Loss on Disposal of Fixed Assets	(341)	
<b>Total General Receipts/Revenues and Transfers</b>	<b>\$ 12,417,255</b>	
<b>Change in Net Position</b>	<b>\$ (491,113)</b>	
<b>Net Position - Beginning</b>		<b>10,815,282</b>
<b>Prior Period Adjustment</b>		<b>10,696</b>
<b>Net Position - Ending</b>	<b>\$ 10,334,865</b>	

The accompanying notes are an integral part of these financial statements.

## **Fund Financial Statements**

## **Governmental Fund Financial Statements**

**MANHATTAN SCHOOL DISTRICT 114**  
**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES-**  
**MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	Major Funds					Total Governmental Funds
	General Fund	Debt Services Fund	Transportation Fund	MRF/Social Security Fund	Total Governmental Funds	
<b>Assets:</b>						
Cash and Cash Equivalents	\$ 1,791,269	\$ --	\$ 175,514	\$ 299,263	\$ 2,266,046	
Certificates of Deposit	4,220,000	--	801,114	--	5,021,114	
Prepaid Payroll Withholdings	12,820	--	--	--	12,820	
<b>Total Assets</b>	<b>\$ 6,024,089</b>	<b>\$ --</b>	<b>\$ 976,628</b>	<b>\$ 299,263</b>	<b>\$ 7,299,980</b>	
<b>Liabilities:</b>						
<b>Payables</b>	<b>\$ --</b>	<b>\$ 87,600</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 87,600</b>	
<b>Fund Balances</b>						
Restricted	\$ 1,131,564	\$ --	\$ 976,628	\$ 299,263	\$ 2,407,455	
Committed	505,101	--	--	--	505,101	
Unassigned	4,387,424	(87,600)	--	--	4,299,824	
<b>Total Fund Balances</b>	<b>\$ 6,024,089</b>	<b>\$ (87,600)</b>	<b>\$ 976,628</b>	<b>\$ 299,263</b>	<b>\$ 7,212,380</b>	
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,024,089</b>	<b>\$ --</b>	<b>\$ 976,628</b>	<b>\$ 299,263</b>	<b>\$ 7,299,980</b>	

The accompanying notes are an integral part of these financial statements.

**MANHATTAN SCHOOL DISTRICT 114**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES-MODIFIED CASH BASIS**  
**JUNE 30, 2016**

<b>Total Fund Balances, Governmental Funds</b>	<b>\$ 7,212,380</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(17,094,796)
Unamortized loss on refunding is shown as a deferred outflow of resources on the statement of net position	1,033,329
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	<u>19,546,972</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 10,697,885</u></b>

The accompanying notes are an integral part of these financial statements.



MANHATTAN SCHOOL DISTRICT 114  
**STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCE-MODIFIED CASH BASIS**  
GOVERNMENTAL FUNDS  
FISCAL YEAR ENDED JUNE 30, 2016

	Major Funds					Total Governmental Funds
	General Fund	Debt Services Fund	Transportation Fund	IMRF/Social Security Fund	Total Governmental Funds	
<b>Revenues Received:</b>						
Local Sources:						
Property Taxes	\$ 8,971,291	\$ --	\$ 424,572	\$ 273,055	\$ 9,668,928	
Replacement Taxes	134,832	--	--	--	134,832	
Tuition	832	--	--	--	832	
Transportation Fees	--	--	6,555	--	6,555	
Investment Income	5,400	--	1,466	189	7,055	
Food Services	117,435	--	--	--	117,435	
District/ Student Activity Income	22,523	--	--	--	22,523	
Textbook Rentals	169,911	--	--	--	169,911	
Rentals	30,712	--	--	--	30,712	
Contributions and Donations from Private Sources	7,790	--	--	--	7,790	
Impact Fees from Municipal or County Governments	34,383	--	--	--	34,383	
Refund of Prior Years' Expenditures	148,548	--	--	--	148,548	
Other Income	90,976	--	1,191	--	92,167	
<b>Total Local Sources</b>	<b>\$ 9,734,633</b>	<b>\$ --</b>	<b>\$ 433,784</b>	<b>\$ 273,254</b>	<b>\$ 10,441,671</b>	
State Sources	2,885,340	--	506,990	--	3,392,300	
Federal Sources	485,912	--	--	--	485,912	
<b>Total Revenues Received</b>	<b>\$ 13,115,885</b>	<b>\$ --</b>	<b>\$ 940,744</b>	<b>\$ 273,254</b>	<b>\$ 14,329,883</b>	
<b>Expenditures Disbursed:</b>						
Instruction - Regular Programs	\$ 4,317,779	\$ --	\$ --	\$ 56,913	\$ 4,374,692	
Instruction - Special Education	1,585,278	--	--	92,608	1,677,886	
Instruction - Other	70,954	--	--	1,836	72,790	
Support Services - Student Based	754,821	--	--	23,690	778,401	
Support Services - Non-Student Based	2,565,430	--	21,272	92,045	2,678,747	
Community Services	18,029	--	--	--	18,029	
Nonprogramming Charges	1,992,051	--	952,932	--	2,944,983	
Capital Outlay	117,039	--	--	--	117,039	
Debt Service:						
Principal Retirement	--	552,988	--	--	552,988	
Interest	6,431	770,096	--	--	776,517	
<b>Total Expenditures Disbursed</b>	<b>\$ 11,127,812</b>	<b>\$ 1,323,084</b>	<b>\$ 974,204</b>	<b>\$ 266,980</b>	<b>\$ 13,692,080</b>	
<b>Net Change in Fund Balance before Other Financing Sources (Uses)</b>	<b>\$ 1,988,073</b>	<b>\$ (1,323,084)</b>	<b>\$ (33,460)</b>	<b>\$ 6,274</b>	<b>\$ 637,803</b>	
<b>Other Financing Sources (Uses):</b>						
Principal on Bonds Sold	\$ 13,995	\$ --	\$ --	\$ --	\$ 13,995	
Transfer In	1,719	1,233,535	--	--	1,235,254	
Transfer Out	(1,235,254)	--	--	--	(1,235,254)	
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (1,219,550)</b>	<b>\$ 1,233,535</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 13,995</b>	
<b>Net Change in Fund Balance</b>	<b>\$ 768,523</b>	<b>\$ (89,549)</b>	<b>\$ (33,460)</b>	<b>\$ 6,274</b>	<b>\$ 651,788</b>	
<b>Prior Period Adjustment</b>	--	(1,853)	--	--	(1,853)	
<b>Fund Balance, Beginning</b>	<b>5,255,566</b>	<b>3,802</b>	<b>1,010,088</b>	<b>252,989</b>	<b>6,562,445</b>	
<b>Fund Balance, Ending</b>	<b>\$ 6,024,089</b>	<b>\$ (87,600)</b>	<b>\$ 976,628</b>	<b>\$ 299,263</b>	<b>\$ 7,212,380</b>	

The accompanying notes are an integral part of these financial statements.

**MANHATTAN SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES RECEIVED, EXPENDITURES  
DISBURSED AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS  
FISCAL YEAR ENDED JUNE 30, 2016**

**Net changes in fund balances, governmental funds** **\$ 651,788**

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

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Current year principal retirement	552,998
Amortization of Bond Issuance Premium	(729,408)
Amortization of Unamortized Loss on Refunding	181,511
Current year debt issuance	(13,985)

Governmental funds report capital outlays as disbursements. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Current year disposal of capitalized assets	(342)
Current year capital outlays capitalized	117,039
Current year depreciation expense on capitalized assets	(887,694)

**Change in Net Position of Governmental Activities** **\$ (128,093)**

The accompanying notes are an integral part of these financial statements.

## **Fiduciary Fund Financial Statements**

**MANHATTAN SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION-MODIFIED CASH BASIS**  
**JUNE 30, 2016**

	Fiduciary Funds	Agency Fund- Student Activity Funds	Total
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 32,322	\$ 77,474	\$ 109,796
<b>Liabilities:</b>			
Due to District	\$ 12,820	\$ --	\$ 12,820
Due to Organizations- Student Activity Funds	\$ --	\$ 77,474	\$ 77,474
<b>Total Liabilities</b>	<b>\$ 12,820</b>	<b>\$ 77,474</b>	<b>\$ 90,294</b>
<b>Net Position:</b>			
Net Position Held in Trust for Benefits	\$ (1,494)	\$ --	\$ (1,494)
Net Position Held in Escrow for Students	20,996	--	20,996
<b>Total Net Position</b>	<b>\$ 19,502</b>	<b>\$ --</b>	<b>\$ 19,502</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 32,322</b>	<b>\$ 77,474</b>	<b>\$ 109,796</b>

The accompanying notes are an integral part of these financial statements.

**MANHATTAN SCHOOL DISTRICT 114**  
**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION**  
**MODIFIED CASH BASIS**  
**JUNE 30, 2016**

	<b>Fiduciary Funds</b>
<b>Additions:</b>	
Employee Contributions	\$ 9,090
<b>Deductions:</b>	
Paid to Employees	10,584
Paid to Students	4,704
<b>Total Deductions</b>	<b>\$ 15,288</b>
<b>Net Increase (Decrease) in Restricted Net Position</b>	<b>\$ (6,198)</b>
<b>Restricted Net Position, Beginning</b>	<b>25,700</b>
<b>Restricted Net Position, Ending</b>	<b>\$ 19,502</b>

The accompanying notes are an integral part of these financial statements.

## **Notes to the Basic Financial Statements**

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 1 – Description of Organization and Summary of Significant Accounting Policies

Manhattan School District 114 (District) is a school district serving students in Manhattan, Illinois and the surrounding area. Revenues are substantially generated as a result of taxes assessed and allocated to the District and grants received from other state and federal governmental agencies. The District's revenues are, therefore, primarily dependent upon the availability of funds at the state and federal level and the economy within its territorial boundaries.

The following is a summary of the more significant accounting policies which the District applies:

A. Principles used to Determine Scope of Entity

The District's reporting entity includes the District's governing board and all related organizations for which the District exercises oversight responsibility.

The District has developed criteria to determine whether outside agencies with activities that benefit the citizens of the District, including joint agreements that serve pupils from numerous districts, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The District is a member of the Lincoln-Way Area Special Education District 843 joint agreement, which provides special education services for the member districts. Separate financial statements are available through the Lincoln-Way Area Special Education District 843 at 601 Willow Street, Frankfort, IL 60423.

The joint agreement has been determined not to be part of the reporting entity after applying the manifesting of oversight, scope of public service and special financing relationships criteria and is therefore excluded from the accompanying financial statements because the District does not control the assets, operations or management of the joint agreement. In addition, the District is not aware of any entity that would exercise such oversight that would result in the District being considered a component unit of the entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position – modified cash basis and the statement of activities – modified cash basis) report information on all of the nonfiduciary activities of the District. For the most part, the effect on interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students, employees, and others who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 1 - Continued

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

The government-wide financial statements are reported using the modified cash basis of accounting as are the fiduciary fund financial statements. Capital assets and long-term debt are recognized on an economic resources measurement focus. Revenues are recorded when the cash is received and expenses are recorded when they are paid.

Governmental fund financial statements are reported using the modified cash basis of accounting. Revenues are recognized when the cash is received. Expenditures are recorded when they are paid.

The District reports the following major governmental funds:

General Fund – The Educational, Operations and Maintenance, Working Cash and Tort Accounts comprise the general operating fund. It is used to account for all financial resources except those required to be accounted for in other funds.

The Educational Account is the regular operations of the Educational Fund. All receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this account. This account is used for regular operations, including educational costs, textbook costs, the food service department and certain other special programs, including many federal and state programs. The Special Education levy is included in the Educational Account.

The Operations and Maintenance Account includes costs of maintaining, improving, or repairing school buildings and property.

The Working Cash Account is used to account for financial resources held by the District which may be temporarily loaned to other funds.

The Tort Account is used to account for resources to fund, and costs related to, tort immunity and tort judgment purposes.

Debt Services Fund – The Debt Services Fund is used to account for the accumulation of resources for payment of general long-term bonded debt principal and interest, capital lease payments, and related costs.

Transportation Fund – The Transportation Fund pays for the costs of transportation of pupils.

Municipal Retirement/Social Security Fund – The Municipal Retirement/Social Security Fund is used to account for the specific taxes levied to pay for employer social security contributions and retirement benefits for noncertified employees and employer Medicare contributions for qualifying employees.

Additionally, the District reports the following fund types:

Fiduciary – These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds.

The Flexible Spending Account Trust Fund is used to account for the plan maintained on behalf of employees



MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 1 – Continued

The Settlement Agreement Trust Funds are used to account for the compensatory educational and related services of the individual students until the students reaches the age of twenty-eight.

Agency Funds - Student Activity Funds – The Student Activity Funds are custodial in nature (assets equal liabilities), do not involve the measurement of the results of operations, and are treated as Agency Funds.

D. Budgets and Budgetary Accounting

The budget for all governmental fund types is prepared on the modified cash basis of accounting which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. This is an acceptable method in accordance with 105 ILCS 5/17-1 of the *Illinois Compiled Statutes*. The budget was passed on September 9, 2015 and was not amended.

For each fund, total fund expenditures disbursed may not legally exceed the budgeted amounts.

The budget lapses at the end of each fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to July 1, the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures disbursed and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The Board of Education may make transfers between the various items in any fund not exceeding in the aggregate 10% of the total of such fund as set forth in the budget.
6. The Board of Education may amend the budget (in other ways) by the same procedures required of its original adoption.

E. Investments

Investments are recorded in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The District's investments consist of certificates of deposit and money markets, which are exempt from GASB Statement No. 72, *Fair Value Measurement and Application*.

F. Inventories

The District does not maintain inventories that would be material to the financial statements and expenses items as they are purchased.

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 1 – Continued

G. Capital Assets

Capital assets have been acquired for general governmental purposes. At the time of purchase, capital assets are recorded as expenditures disbursed in the Governmental Funds and capitalized at cost in the General Fixed Assets Account Group. Donated capital assets are stated at estimated fair market value as of the date of acquisition. The capitalization threshold for all capital assets is \$2,000.

The capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Property Type</u>	<u>Estimated Useful Life</u> <u>(years)</u>
Buildings and Building Improvements	50
Site Improvements and Infrastructure	20
Capitalized Equipment	3-20

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometime report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one type of item that qualifies for reporting in this category. Accordingly, the item, unamortized loss on refunding, is reported in the government-wide statement of net position – modified cash basis. An unamortized loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time.

I. 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.

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

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 1 – Continued

J. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net positions are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The District first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

K. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues received and expenditures disbursed during the reporting period. Actual results could differ from these estimates.

Note 2 - Property Taxes

The District's property taxes are levied each year on all taxable real property located in the District on or before the last Tuesday in December. The most recent levy was adopted by the board on December 9, 2015. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments in July and September. The District receives significant distributions of tax receipts approximately one month after these due dates.

Tax proceeds from the 2015 and prior levies are reported as receipts from local sources in the June 30, 2016 financial statements.

The following are the tax rate limits permitted by the School Code and by local referendum and the actual rates levied per \$100 of assessed valuation:

<u>Levy</u>	2015 <u>Maximum</u>	<u>Actual</u>	
		<u>2015 Levy</u>	<u>2014 Levy</u>
Educational	3.5000	3.2423	3.2042
Operations and Maintenance	0.5500	0.4988	0.5128
Transportation	Unlimited	0.1749	0.2017
Municipal Retirement	Unlimited	0.0479	0.0534
Social Security	Unlimited	0.0707	0.0693
Tort Immunity	Unlimited	0.0807	0.0855
Special Education	0.0400	<u>0.1447</u>	<u>0.1487</u>
		<u>4.2600</u>	<u>4.2756</u>

Note 3 - Cash and Investments

Cash and investments as of June 30, 2016 consist of the following:

Cash on Hand	\$ 300
Deposits with financial institutions	<u>7,309,056</u>
Total cash and investments	<u>\$ 7,309,356</u>

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 3 – Continued

**Investments Authorized by *Illinois Compiled Statutes* and the District’s Investment Policy**

The District is allowed to invest in securities as authorized by 30 ILCS 235/2 and 235/6 and 105 ILCS 5/8-7 of the *Illinois Compiled Statutes*. The District’s investment policy is consistent with *Illinois Compiled Statutes*.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District’s investment policy does not specifically address interest rate risk; however, one of the ways that the District manages its exposure to interest rate risk is by limiting its purchases of long term investments. At June 30, 2016 the District’s investments were deposits in financial institutions. The deposits are all demand deposits with the exception of the following:

<u>Investment</u>	<u>Amount</u>	<u>Maturity Date</u>
Certificate of Deposit	\$ 800,000	August 4, 2016
Certificate of Deposit	\$ 751,114	August 10, 2016
Certificate of Deposit	\$ 800,000	October 13, 2016
Certificate of Deposit	\$ 800,000	November 10, 2016
Certificate of Deposit	\$ 900,000	December 8, 2016
Certificate of Deposit	<u>\$ 970,000</u>	December 20, 2016
	<u>\$5,021,114</u>	

None of the District’s investments are highly sensitive to interest rate fluctuations.

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District’s investment policy requires a rating at the time of purchase at one of the three highest classifications established by at least two standard rating services. The District’s investments that are deposits with financial institutions are not subject to credit risk rating.

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Deposits with financial institutions and investments in external investment pools are exempt from the 5% investment in any one issuer disclosure.

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. *Illinois Compiled Statutes* do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. However, the district’s investment policy requires that all amounts deposited or invested with financial institutions in excess of any insurance limit be collateralized.

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 3 – Continued

As of June 30, 2016, \$5,275,464 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in accounts collateralized by securities held by the pledging financial institution and none of the District's deposits were held in uncollateralized accounts.

**Foreign currency risk**

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. None of the district's investments are directly subject to foreign currency risk. The district's investment policy does not address foreign currency risk.

Note 4 - Changes in Capital Assets

	Balance, July 1, 2015	Additions	Deletions	Balance, June 30, 2016
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 4,519,365	\$ --	\$ --	\$ 4,519,365
<u>Depreciable Capital Assets:</u>				
Buildings and Building Improvements	25,138,009	--	--	25,138,009
Site Improvements and Infrastructure	960,467	--	--	960,467
Capitalized Equipment	<u>3,115,469</u>	<u>117,039</u>	<u>22,007</u>	<u>3,210,501</u>
Total Capital Assets	<u>\$ 33,733,310</u>	<u>\$ 117,039</u>	<u>\$ 22,007</u>	<u>\$ 33,828,342</u>
<u>Accumulated Depreciation:</u>				
Buildings and Building Improvements	\$ 9,902,459	\$ 502,760	\$ --	\$ 10,405,219
Site Improvements and Infrastructure	757,242	48,023	--	805,265
Capitalized Equipment	<u>2,755,640</u>	<u>336,911</u>	<u>21,665</u>	<u>3,070,886</u>
Total Accumulated Depreciation	<u>\$ 13,415,341</u>	<u>\$ 887,694</u>	<u>\$ 21,665</u>	<u>\$ 14,281,370</u>
Capital Assets, Net	<u>\$ 20,317,969</u>	<u>\$ (770,655)</u>	<u>\$ 342</u>	<u>\$ 19,546,972</u>

As explained in Note 1, depreciation is calculated to determine the district's per capita tuition charge and is allocated to functions/programs as follows:

Governmental Activities:

Instructional – Regular Programs	\$703,651
Support Services – Student Based	43,978
Support Services – Non-Student	<u>140,065</u>
Total Depreciation Expense	<u>\$887,694</u>

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 5 – Debt

A. Long-Term Debt

A summary of general long-term debt is as follows:

<u>Description</u>	<u>Balance, July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2016</u>	<u>Due in Less Than One Year</u>
Capital Appreciation School Bonds, 2004C	\$ 6,523,378	\$ --	\$ 323,601	\$ 6,199,777	\$ 466,418
Refunding School Bonds, 2015	4,380,000	--	--	4,380,000	--
Issuance Premium	6,231,181	--	181,510	6,049,671	286,489
Apple Lease, 2012	78,920	--	78,920	--	--
Apple Lease, 2015	601,840	--	150,477	451,363	148,220
Apple Lease, 2016	<u>--</u>	<u>13,985</u>	<u>--</u>	<u>13,985</u>	<u>4,800</u>
Total Long-Term Debt	<u>\$17,815,319</u>	<u>\$ 13,985</u>	<u>\$ 734,508</u>	<u>\$ 17,094,796</u>	<u>\$ 905,927</u>

The district is subject to a statutory debt limitation equal to 6.9% of the districts Equalized Assessed Valuation (EAV). The district's statutory debt limitation at June 30, 2016 was \$16,060,565, leaving \$5,015,440 available. The debt service payments for the Apple Lease Agreements, Capital Appreciation School Bonds, and Refunding Bonds are paid for by a transfer from the Educational Fund to the Debt Services Fund.

At June 30, 2016, there were \$0 of net current assets in the Debt Services Fund for the retirement of bonded debt.

1. Capital Appreciation School Bonds, 2004C

In January, 2005 the District issued \$13,031,672 in Capital Appreciation School Bonds. The bonds are dated January 6, 2005. The bonds provide for serial retirement of principal each December with interest payable on June 1 and December 1 of each year beginning June 1, 2005. The interest rate is 9.00 percent and the bonds mature on December 1, 2024. Due to the Refunding School Bonds, 2015, outlined below \$1,626,983 of these bonds were considered defeased in January, 2015.

At June 30, 2016, the annual cash flow requirements of bond principal and interest were as follows:

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 5 – Continued

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 466,418	\$ 863,582	\$ 1,330,000
2018	427,103	902,897	1,330,000
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	125,713	599,287	725,000
	<u>\$ 6,199,777</u>	<u>\$ 19,165,223</u>	<u>\$ 25,365,000</u>

2. Refunding School Bonds, 2015

In January, 2015, the District issued \$4,380,000 of Refunding Bonds. The bonds are dated January 30, 2015 and \$4,606,343 of the net proceeds of \$4,680,196 (after payment of \$88,589 in underwriting fees, insurance, and other issuance costs and \$316,785 proceeds from premium on bonds sold) were used to purchase U.S. government securities. The remaining \$1,853 of proceeds were deposited in the District's Debt Services Fund. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payment on the Capital Appreciation School Bonds, 2004C with an average interest rate of 9.0 percent. As a result, \$1,626,983 of Capital Appreciation School Bonds, 2004C are considered to be defeased.

The District refunded the Capital Appreciation School Bonds, 2004C to alter the debt service cash flow requirements. The refunding did not result in an economic gain for the District.

The bonds are dated January 30, 2015 and provide for serial retirement of principal each January 1 starting in 2025, with interest payable on January 1 and July 1. The interest rate is 4.0 percent.

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 5 – Continued

At June 30, 2016, the annual cash flow requirements of bond principal and interest were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 87,600	\$ 87,600
2018	-	175,200	175,200
2019	-	175,200	175,200
2020	-	175,200	175,200
2021	-	175,200	175,200
2022	-	175,200	175,200
2023	-	175,200	175,200
2024	-	175,200	175,200
2025	500,000	175,200	675,200
2026	1,245,000	155,200	1,400,200
2027	1,295,000	105,400	1,400,400
2028	1,340,000	53,600	1,393,600
	<u>\$ 4,380,000</u>	<u>\$ 1,803,400</u>	<u>\$ 6,183,400</u>

3. Issuance Premium

The District had issuance premiums on the two bond issuance. At June 30, 2016, the issuance premium will be amortized and included in the statement of activities – modified cash basis as follows:

<u>Year Ending June 30,</u>	
2017	\$ 286,489
2018	298,301
2019	712,066
2020	772,334
2021	833,955
2022	896,912
2023	962,381
2024	1,031,641
2025	207,088
2026	23,959
2027	16,271
2028	<u>8,274</u>
Total	<u>\$ 6,049,671</u>



MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 5 – Continued

4. Apple Lease, 2012

Agreement dated March 9, 2012, provides for annual payments of principal and interest at a rate of 2.17% for the purchase of Apple Computer equipment at \$234,902.

At June 30, 2016, the lease obligation was paid in full.

5. Apple Lease, Fiscal Year 2015

Agreement dated January 5, 2015, provides for annual payments of principal and interest at a rate of 1.5% for the purchase of Apple Computer equipment at \$601,840.

At June 30, 2016, the annual cash flow requirements of bond principal and interest were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 148,220	\$ 6,770	\$ 154,990
2018	150,443	4,547	154,990
2019	152,700	2,290	154,990
	<u>\$ 451,363</u>	<u>\$ 13,607</u>	<u>\$ 464,970</u>

6. Apple Lease, Fiscal Year 2016

Agreement dated December 18, 2015, provides for annual payments of principal and interest at a rate of 2.30% for the purchase of Apple Computer equipment at \$13,985.

At June 30, 2016, the annual cash flow requirements of bond principal and interest were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 4,800	\$ -	\$ 4,800
2018	4,525	275	4,800
2019	4,660	139	4,799
	<u>13,985</u>	<u>414</u>	<u>14,399</u>

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 6 - Retirement Fund Commitments

**A. Teachers' Retirement System of the State of Illinois**

**1. General Information about the Pension Plan**

**a. Plan Description**

The District participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the City of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. 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 TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at <http://trs.illinois.gov/pubs/cafr.htm>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 877-0890, option 2.

**b. Benefits provided**

TRS provides retirement, disability, and death benefits. Tier 1 members have TRS or reciprocal system service prior to January 1, 2011. Tier 1 members qualify for retirement benefits at age 62 with five years of service, at age 60 with 10 years, or age 55 with 20 years. The benefit is determined by the average of the four highest years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service. Disability and death benefits are also provided.

Tier II members qualify for retirement benefits at age 67 with 10 years of service, or a discounted annuity can be paid at age 62 with 10 years of service. Creditable earnings for retirement purposes are capped and the final average salary is based on the highest consecutive eight years of creditable service rather than the last four. Disability provisions for Tier II are identical to those of Tier I. Death benefits are payable under a formula that is different from Tier I.

Essentially all Tier I retirees receive an annual 3 percent increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later. Tier II annual increases will be the lesser of three percent of the original benefit or one-half percent of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

**c. Contributions**

The State of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90 percent of the total actuarial liabilities of the System by the end of fiscal year 2045.

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2016, was 9.4 percent of creditable earnings. The

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 6 – Continued

member contribution, which may be paid on behalf of employees by the District, is submitted to TRS by the District.

**i. On Behalf Contributions to TRS**

The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2016, State of Illinois contributions recognized by the District were based on the State's proportionate share of the collective NPL associated with the District, and the District recognized revenue and expenditures of \$2,871,980 in pension contributions from the State of Illinois.

**ii. 2.2 Formula Contributions**

Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2016, were \$32,599, and are deferred because they were paid after the June 30, 2015, measurement date under GASB No. 68. However, they are included in expenditures under the modified cash basis of accounting.

**iii. 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 has been in effect since 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. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2016, the employer pension contribution was 36.06 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2016, salaries totaling \$39,384 were paid from federal and special trust funds that required employer contributions of \$14,202. These contributions are deferred because they were paid after the June 30, 2015, measurement date under GASB No. 68. However, they are included in expenditures under the modified cash basis of accounting.

**iv. Employer Retirement Cost Contributions**

Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The District is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the current program is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2016, the District paid \$0 to TRS for employer ERO contributions.

The District is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2016, the District paid \$0 to TRS for employer contributions due on salary increases in excess of 6 percent and \$0 for sick leave days granted in excess of the normal annual allotment.

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 6 – Continued

**2. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the District has a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for state pension support provided to the District. The state's support and total are for disclosure purposes only. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follow:

District's proportionate share of the net pension liability	\$ 830,037
State's proportionate share of the net pension liability associated with the District	<u>35,054,746</u>
<b>Total</b>	<b><u>\$ 35,884,783</u></b>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, and rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on the District's share of contributions to TRS for the measurement year ended June 30, 2015, relative to the projected contributions of all participating TRS employers and the state during that period. At June 30, 2015, the District's proportion was 0.001267 percent, which is an increase (decrease) of (0.000066) from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expenses of \$2,871,980 and revenues of \$2,871,980 for support provided by the state. At June 30, 2016, the District had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 308	\$ 910
Net Difference between projected and actual earnings on pension plan investments	16,438	29,065
Changes in assumptions	11,479	--
Changes in proportion and differences between employer contributions and proportionate share of contributions	94,925	33,770
Employer contributions subsequent to the measurement date	<u>46,799</u>	<u>--</u>
<b>Total</b>	<b><u>\$ 169,949</u></b>	<b><u>\$ 63,745</u></b>

\$46,799 included as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2017	\$ 19,041
2018	\$ 19,041
2019	\$ 19,041
2020	\$ 2,282

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 6 – Continued

**a. Actuarial Assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Inflation</b>	3.00 percent
<b>Salary Increases</b>	varies by amount of service credit
<b>Investment Rate of Return</b>	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014.

The actuarial assumptions for the years ended June 30, 2015 and 2014 were different. The actuarial assumptions used in the June 30, 2015, valuation were based on the 2015 actuarial experience analysis. The investment return assumption remained at 7.5 percent, salary increase assumptions were lowered, retirement rates were increased, mortality updates were made, and other assumptions were revised. The actuarial assumptions used in the June 30, 2014, valuation were based on updates to economic assumptions adopted in 2014 which lowered the investment return assumption from 8.0 percent to 7.5 percent. The salary increase and inflation assumptions were also lowered from their 2013 levels.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class that were used by the actuary are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
U.S. large cap	18%	7.53%
Global equity excluding U.S.	18	7.88
Aggregate Bonds	16	1.57
U.S. TIPS	2	2.82
NCREIF	11	5.11
Opportunistic real estate	4	9.09
ARS	8	2.57
Risk parity	8	4.87
Diversified inflation strategy	1	3.26
Private equity	14	12.33
Total	<u>100%</u>	

**b. Discount Rate**

At June 30, 2015, the discount rate used to measure the total pension liability was a blended rate of 7.47 percent, which was a change from the June 30, 2014, rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates.

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 6 – Continued

Based on those assumptions, TRS's fiduciary net position at June 30, 2015, was not projected to be available to make all projected future benefits payments of current active and inactive members and all benefit recipients. Tier I's liability is partially funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Despite the subsidy, all projected future payments were not covered, so a slightly lower long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2014, the discount rate used to measure the total pension liability was 7.50 percent. The discount rate was the same as the actuarially-assumed rate of return on investments that year because TRS's fiduciary net position and the subsidy provided by Tier II were sufficient to cover all projected benefit payments.

**c. Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.47 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.47 percent) or 1-percentage-point higher (8.47 percent) than the current rate.

	1% Decrease (6.47%)	Current Discount Rate (7.47%)	1% Increase (8.47%)
District's Proportionate Share of the net pension Liability	\$1,025,722	\$ 830,037	\$ 669,570

**d. TRS fiduciary Net Position**

Detailed information about the TRS's fiduciary net position as of June 30, 2015, is available in the separately issued *TRS Comprehensive Annual Financial Report*.

**B. Illinois Municipal Retirement Fund**

**IMRF 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 managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. 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 Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 6 – Continued

**Benefits Provided**

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lessor* of:

- 3% of the original pension amount, or
- ½ of the increase in the Consumer Price Index of the original pension amount.

**Employees covered by Benefit Terms**

As of December 31, 2015, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries currently receiving benefits	29
Inactive Plan Members entitled to but not yet receiving benefits	50
Active Plan Members	42
<b>Total</b>	<b>121</b>

**Contributions**

As set by statute, the District's Regular Plan Members are required to contribute 4.5% 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 District's annual contribution rate for calendar year 2015 was 10.31%. For the fiscal year ended June 30, 2016, the District contributed \$107,618 to the plan. 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 6 – Continued

**Net Pension Liability**

The District's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- The **Actuarial Cost Method** used was Entry Age Normal
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 3.5%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.



MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 6 - Continued

- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2015:

<b>Asset Class</b>	<b>Portfolio Target Percentage</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	2.75-8.15%
Cash Equivalents	1%	2.25%
Total	100%	

**Single Discount Rate**

A Single Discount Rate of 7.5% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.5%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.45%.

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 6 - Continued

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (A)</b>	<b>Plan Fiduciary Net Position (B)</b>	<b>Net Pension Liability (A) - (B)</b>
<b>Balances at December 31, 2014</b>	\$3,519,587	\$3,370,535	\$149,052
<b>Changes for year:</b>			
Service Cost	110,384	--	110,384
Interest on the Total Pension Liability	263,308	--	263,308
Changes of Benefit Terms	--	--	--
Differences Between Expected and Actual Experience of the Total Pension Liability	83,545	--	83,545
Changes of Assumptions	19,844	--	19,844
Contributions – Employer	--	101,602	(101,602)
Contributions – Employees	--	44,345	(44,345)
Net Investment Income	--	16,921	(16,921)
Benefit Payments, including Refunds of Employee Contributions	(118,639)	(118,639)	--
Other (Net Transfer)	--	(97,801)	97,801
<b>Net Changes</b>	<b>\$ 358,442</b>	<b>\$ (53,572)</b>	<b>\$412,014</b>
<b>Balances at December 31, 2015</b>	<b>\$3,878,029</b>	<b>\$3,316,963</b>	<b>\$561,066</b>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.45%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	<b>1% Lower (6.45%)</b>	<b>Current Discount (7.45%)</b>	<b>1% Higher (8.45%)</b>
<b>Net Pension Liability</b>	\$1,101,971	\$561,066	\$115,277

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 6 - Continued

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2016, the District recognized pension expense of \$285,351 under GASB No. 68. For the year ended June 30, 2016 under modified cash basis of accounting, the District recognized pension expense of \$107,618. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Amounts Related to Pensions</b>	<b>Deferred Outflows of Resources (A)</b>	<b>Deferred Inflows of Resources (B)</b>	<b>Net Deferred Outflows or (Inflows) of Resources (A)-(B)</b>
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>			
Differences between expected and actual experience	\$ 56,504	\$ 29,336	\$ 27,168
Changes of assumptions	63,168	--	63,168
Net difference between projected and actual earnings on pension plan investments	213,207	--	213,207
Total Deferred Amounts to be recognized in pension expense in future periods	\$ 332,879	\$ 29,336	\$ 303,543
<i>Pension Contributions made subsequent to the Measurement Date</i>	\$ 54,351	\$ --	\$ 54,351
<b>Total Deferred Amounts Related to Pensions</b>	<b>\$ 387,230</b>	<b>\$ 29,336</b>	<b>\$ 357,894</b>

Under GASB No. 68, amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<b><u>Year Ending December 31</u></b>	<b><u>Net Deferred Outflows of Resources</u></b>
2016	\$162,701
2017	90,029
2018	58,518
2019	46,646
2020	--
Thereafter	--
Total	\$357,894

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 6 – Continued

C. Aggregate Pension Reporting

The following aggregate pension information is provided:

Plan	<u>TRS</u>	<u>IMRF</u>	<u>Total</u>
Measurement Date	6/30/2015	12/31/2016	
Pension Liability**	--	\$ 3,878,029	
Pension Asset**	<u>--</u>	<u>\$ 3,316,963</u>	
Net Pension Liability	\$ 830,037	\$ 561,066	\$1,391,103
Deferred outflows of resources related to pensions	\$ 169,949	\$ 387,230	\$ 557,179
Deferred inflows of resources related to pensions	\$ 63,745	\$ 29,336	\$ 93,081
Pension expense/expenditures for the period associated with net pension liabilities	\$ 88,572	\$ 285,351	\$ 373,923

\*\*Only net pension liability provided by TRS

D. Social Security

Employees not qualifying for coverage under the Teachers' Retirement System of the State of Illinois or the Illinois Municipal Retirement Fund are considered "non-participating employees". These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security. The District paid \$159,360, the total required employer contribution for the current year.

Note 7 – Post Employment Benefits Other Than Pensions

A. Employer Contributions to Teacher Health Insurance Security (THIS) Fund

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

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 7 – Continued

of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to the THIS Fund.

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

•**On Behalf Contributions to the THIS Fund**

The State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to the THIS Fund from active members which were 1.07 percent of pay during the year ended June 30, 2016. State of Illinois contributions were \$60,137 and the District recognized revenue and expenditures of this amount during the year.

•**Employer Contributions to the THIS Fund**

The District also makes contributions to the THIS Fund. The District THIS Fund contribution was 0.80 percent during the year ended June 30, 2016. For the year ended June 30, 2016, the District paid \$44,962 to the THIS Fund, which was 100 percent of the required contribution.

**Further Information on the THIS Fund**

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

**B. 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 benefit, benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The District does not issued a stand alone report for HIPRE.

**Funding Policy**

The District is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

**Contributions Made**

The District contributed \$34,532 for fiscal year ending June 30, 2016. The amounts contributed for fiscal years ending June 30, 2015 and 2014 were \$10,402 and \$10,398, respectively.

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 7 – Continued

**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	\$	23,901
Interest on net OPEB obligation		1,066
Adjustment to annual required contribution		(1,391)
		_____
Annual OPEB cost	\$	23,576
Contributions made		34,532
		_____
Change in net OPEB obligation	\$	(10,956)
Net OPEB obligation at beginning of year		23,679
		_____
Net OPEB obligation at end of year	\$	12,723

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:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 25,047	92.8%	\$ 14,518
6/30/2015	23,575	146.5%	12,723
6/30/2014	24,106	118.9%	23,679

**Funded Status and Funding Progress**

As of June 30, 2016, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$281,227 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$281,227. The covered payroll (annual payroll of active employees covered by the plan) was \$5,676,297 and the ratio of the UAAL to covered payroll was 4.95 percent.

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.

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 7 – Continued

**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 included an annual healthcare cost trend rate of 6.0 percent initially, reduced by decrements to an ultimate rate of 4.0 percent. The UAAL is being amortized as a level percentage of projected pay on an open basis. The remaining amortization period at June 30, 2016 was 30 years.

Note 8 – Fund Balance Reporting

Government Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," requires fund balances to be classified into five major classifications: Nonspendable Fund Balance; Restricted Fund Balance; Committed Fund Balance; Assigned Fund Balance; and Unassigned Fund Balance.

A. Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. Due to the cash basis nature of the district, all such items are expensed at the time of purchase, so there is nothing to report for this classification.

B. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Special Revenue funds are by definition restricted for those specified purposes. The District has several revenue sources received within different funds that also fall into these categories.

1. Special Education

Cash receipts and the related cash disbursements of this restricted tax levy are accounted for in the Educational Fund. Cumulative expenditures disbursed exceeded cumulative revenue received for this purpose, resulting in no restricted balance.

2. State Grants

Proceeds from state grants and the related expenditures have been included in the Educational and Transportation Funds. At June 30, 2016, expenditures disbursed exceeded revenue received from state grants.

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 8 – Continued

3. Federal Grants

Proceeds from federal grants and the related expenditures have been included in the Educational Fund. At June 30, 2016, expenditures disbursed exceeded revenue received from federal grants, resulting in no restricted balances.

4. Social Security

Cash disbursed and the related cash receipts of this restricted tax levy are accounted for in the Municipal Retirement/Social Security Fund. For the year ended June 30, 2016, cumulative revenue received from Social Security tax levy exceeded cumulative expenditures disbursed for this purpose by \$56,485, resulting in a restricted fund balance of this amount. Prior to June 30, 2008, the District did not track tax amounts reserved for Municipal Retirement and Social Security separately; however, the entire balance of the Municipal Retirement/Social Security Fund is classified as restricted as the fund is a special revenue fund and is by definition restricted.

5. Impact Fees

Cash disbursed and the related cash receipts for this restricted revenue is accounted for in the Operations and Maintenance Fund. For the year ended June 30, 2016, cumulative revenue received exceeded cumulative expenditures disbursed by \$996,846, resulting in a restricted fund balance of \$996,846.

C. Committed Fund Balance

The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

The Board of Education commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

1. Unpaid Employment Contracts

Employee contracts for services rendered during the school year for employees electing twelve month pay schedules are recorded as disbursements in the fiscal year when such checks are drawn. At June 30, 2016, the total amount of unpaid contracts for services performed during the fiscal year ended June 30, 2016 was \$505,101. This amount is shown as Unreserved in the Educational Fund.



MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 8 – Continued

D. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by (a) the Board of Education itself or (b) the finance committee or by the Superintendent when the Board of Education has delegated the authority to assign amounts to be used for specific purposes.

At June 30, 2016, no amounts were classified as assigned.

E. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Operating Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the individual funds. Unassigned Fund Balance amounts are shown in the financial statements as Unreserved Fund Balances in the Educational, Operations and Maintenance, and Working Cash Funds.

F. Expenditures of Fund Balance

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

Note 9 - Required Individual Fund Disclosures

A. Overexpenditure of Budget

The district had one instance of overexpending the budgeted amounts in the individual funds:

<u>Fund</u>	<u>Expenditures</u>	<u>Budgeted Amounts</u>	<u>Overexpenditures</u>
Debt Services Fund	\$ 1,323,084	\$ 1,006,087	\$ 316,997

B. Deficit Fund Balances

The Debt Services Fund had a deficit fund balance of \$87,600 at June 30, 2016.

C. Individual Fund Interfund Receivable and Payable Balances

There were no interfund receivables or payables at June 30, 2016.

D. Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2016 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Educational Fund	\$ 1,719	\$1,233,535
Debt Services Fund	1,233,535	--
Working Cash Fund	--	1,719
	<u>\$1,235,254</u>	<u>\$1,235,254</u>

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 9 – Continued

The above transfers represent the transfer of working cash fund interest to the Educational Fund of \$1,719, to assist with the fund's cash flow and a transfer of \$1,233,535 of debt service payments on Apple lease agreements and bond issuances from the Educational Fund to the Debt Services Fund.

Note 10 - Risk Management

The District is exposed to various risks of loss including, but not limited to, general liability, property casualty, auto liability, workers compensation and public official liability. To limit exposure to these risks, the District purchased commercial insurance.

There has not been a significant reduction in the District's insurance coverage during the year ended June 30, 2016. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

Note 11 – Tort Immunity

In accordance with PA 91-0628, the following is provided regarding the District's tort immunity receipts and expenditures:

	<u>Tort</u>
Tort Immunity Receipts:	
Taxes Collected	\$ 187,926
Interest	55
Total Tort Immunity Receipts	<u>\$ 187,981</u>
Tort Immunity Expenditures:	
Worker's Compensation	\$ 25,938
Insurance	57,818
Legal Services	<u>37,474</u>
Total Tort Immunity Expenditures	<u>\$ 121,230</u>
Receipts under Expenditures	\$ 66,751
Restricted at July 1, 2015	<u>67,967</u>
Restricted at June 30, 2016	<u>\$ 134,718</u>

Note 12 - Related Party Transactions

The District is a member of Lincoln-Way Area Special Education District 843 Joint Agreement. During the year ended June 30, 2016 the district paid \$1,979,405 to this Joint Agreement for special education services and received \$136,561 in reimbursements and pass through grant funds.

Note 13 - Economic Dependence

The District is economically dependent on the State of Illinois for funding. At June 30, 2016, the State of Illinois was delinquent in its payments to Illinois school districts.

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 14 – PA 99-0523 – District Required FY2016 GSA Expenditures for Special Education Service

Due to the State of Illinois not meeting the maintenance of fiscal effort in support of the Federal Individuals with Disabilities Education Act Part B, each Illinois school district must expend from General State Aid (GSA) a computed amount for the provision of special education services.

The District expended \$2,998 of General State Aid (Revenue Code 3001) for special education assessment payments in the Educational Fund under for the year ending June 30, 2016.

Note 15 – Prior Period Adjustments

During 2016, management discovered a financial statement error that caused an overstatement of June 30, 2015 previously reported cash and cash equivalents and fund balance of \$1,853 in the Debt Services Fund.

During 2016, management discovered a financial statement error that caused an understatement of June 30, 2015 previously reported capital assets and net position of \$12,549 on the statement of net position – modified cash basis.

Note 16 - Commitments and Contingencies

Grants

The District has received funding from state and federal grants in the current and prior years which are subject to audits by the granting agencies. The School Board believes any adjustments that may arise from these audits will be immaterial to District operations.

Compensated Absences

Administrators and support staff of the District are entitled to paid vacation time depending on job classification, length of service and other factors. If these employees terminated their employment at June 30, 2016, the District would be required to compensate them for their unused vacation time. The computed amounts of compensation for unpaid vacation at June 30, 2016 were \$10,204.

Unpaid Employment Contracts

At June 30, 2016 the District was obligated for an estimated \$505,101 in unpaid employment contracts.

Copier Lease Agreement

On June 23, 2014, the Board of Education approved to enter into an operating lease with Choice Office Equipment for 3 copiers. The lease agreement requires thirty-six monthly payments of \$667.

Future minimum annual rental commitments under the lease are summarized below:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2017	\$ 8,004

Rent expense under this lease amounted to \$8,004 for the year ending June 30, 2016.

MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

Note 16 – Subsequent Events

Management evaluated subsequent events through November 9, 2016 and noted the following items meeting the criteria for disclosure:

A. Textbook Purchase

On July 7, 2016, the District paid Houghton Mifflin Harcourt \$113,473 from the Education Fund for the purchase of new textbooks.

B. Computers Capital Lease Purchase Agreement

On August 30, 2016, the District entered into a four year capital lease purchase agreement with Apple Inc. for technology equipment requiring annual payments of principal and interest payments of \$102,808.

## **Other Information**

**MANHATTAN SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**FISCAL YEAR ENDED JUNE 30, 2016**

	Original (Final) Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues Received:</b>			
Local Sources:			
Property Taxes	\$ 8,949,398	\$ 8,971,291	\$ 21,893
Replacement Taxes	135,922	134,832	(1,090)
Tuition	--	832	832
Investment Income	5,200	5,400	200
Food Services	102,000	117,435	15,435
District/School Activity Income	18,000	22,523	4,523
Textbook Rentals	150,000	169,911	19,911
Rentals	5,900	30,712	24,812
Contributions and Donations from Private Sources	--	7,790	7,790
Impact Fees from Municipal or County Governments	35,000	34,383	(617)
Refund of Prior Years' Expenditures	--	148,548	148,548
Other Local Sources	70,000	90,976	20,976
<b>Total Local Sources</b>	<b>\$ 9,471,420</b>	<b>\$ 9,734,633</b>	<b>\$ 263,213</b>
State Sources	2,807,633	2,885,340	77,707
Federal Sources	420,465	495,912	75,447
<b>Total Revenues Received</b>	<b>\$ 12,699,518</b>	<b>\$ 13,115,885</b>	<b>\$ 153,154</b>
<b>Expenditures Disbursed:</b>			
Instruction - Regular Programs	\$ 4,818,800	\$ 4,308,789	\$ (510,011)
Instruction - Special Education	1,523,500	1,523,623	123
Instruction - Other	254,830	141,599	(113,231)
Support Services - Student Based	792,400	754,821	(37,579)
Support Services - Non-Student Based	2,791,510	2,565,430	(226,080)
Community Services	18,000	18,029	29
Nonprogramming Charges	1,623,500	1,692,051	68,551
Capital Outlay	29,000	117,039	88,039
Debt Service:			
Interest	7,100	6,431	(669)
<b>Total Expenditures Disbursed</b>	<b>\$ 11,858,640</b>	<b>11,127,812</b>	<b>(730,828)</b>
<b>Net Change in Fund Balance before Other Financing Sources (Uses)</b>	<b>\$ 840,878</b>	<b>\$ 1,988,073</b>	<b>\$ 883,982</b>
<b>Other Financing Sources (Uses):</b>			
Principal on Bonds Sold	\$ --	\$ 13,985	\$ 13,985
Transfers In	1,000	1,719	719
Transfer Out	(1,005,187)	(1,235,254)	(230,067)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (1,004,187)</b>	<b>\$ (1,219,550)</b>	<b>\$ (215,363)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (163,309)</b>	<b>\$ 768,523</b>	<b>\$ 668,619</b>
<b>Fund Balance, Beginning</b>		<b>5,255,566</b>	
<b>Fund Balance, Ending</b>		<b>\$ 6,024,089</b>	

Reference should be made to auditor's report regarding this information.

**MANHATTAN SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**DEBT SERVICES FUND**  
FISCAL YEAR ENDED JUNE 30, 2016

	Original (Final) Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues Received:</b>	\$ --	\$ --	\$ --
<b>Expenditures Disbursed:</b>			
Debt Services:			
Principal on Long-Term Debt	\$ 323,601	\$ 552,998	\$ 229,397
Interest on Long-Term Debt	682,486	770,086	87,600
<b>Total Expenditures Disbursed</b>	<b>\$ 1,006,087</b>	<b>\$ 1,323,084</b>	<b>\$ 316,997</b>
<b>Net Change in Fund Balance before Other Financing Sources (Uses)</b>	<b>\$ (1,006,087)</b>	<b>\$ (1,323,084)</b>	<b>\$ (316,997)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers In	\$ 1,004,187	\$ 1,233,535	\$ 229,348
<b>Net Change in Fund Balance</b>	<b>\$ (1,900)</b>	<b>\$ (89,549)</b>	<b>\$ (87,649)</b>
<b>Prior Period Adjustment</b>		(1,853)	
<b>Fund Balance, Beginning</b>		3,802	
<b>Fund Balance, Ending</b>		<b>\$ (87,600)</b>	

Reference should be made to auditor's report regarding this information.

**MANHATTAN SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**TRANSPORTATION FUND**  
**FISCAL YEAR ENDED JUNE 30, 2016**

	Original (Final) Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues Received:</b>			
Local Sources:			
Property Taxes	\$ 456,847	\$ 424,572	\$ (32,275)
Investment Income	700	1,466	766
Transportation Fees	6,200	6,555	355
Other Local Sources	--	1,191	1,191
Total Local Sources	\$ 463,747	\$ 433,784	\$ (29,963)
State Sources	458,000	506,960	48,960
<b>Total Revenues Received</b>	<b>\$ 921,747</b>	<b>\$ 940,744</b>	<b>\$ 48,960</b>
<b>Expenditures Disbursed:</b>			
Current:			
Support Services - Non-Student Based	\$ 28,500	\$ 21,272	\$ (7,228)
Nonprogrammed Charges	987,000	952,932	(34,068)
<b>Total Expenditures Disbursed</b>	<b>\$ 1,015,500</b>	<b>\$ 974,204</b>	<b>\$ (41,296)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (93,753)</b>	<b>\$ (33,460)</b>	<b>\$ 90,256</b>
<b>Fund Balance, Beginning</b>		<b>1,010,088</b>	
<b>Fund Balance, Ending</b>	<b>\$ 976,628</b>		

Reference should be made to auditor's report regarding this information.



**MANHATTAN SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**IMRF/SOCIAL SECURITY FUND**  
**FISCAL YEAR ENDED JUNE 30, 2016**

	Original (Final) Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues Received:</b>			
Local Sources:			
Property Taxes	\$ 277,913	\$ 273,065	\$ (4,848)
Investment Income	100	189	89
Total Local Sources	\$ 278,013	\$ 273,254	\$ (4,759)
<b>Total Revenues Received</b>	<b>\$ 278,013</b>	<b>\$ 273,254</b>	<b>\$ (4,759)</b>
<b>Expenditures Disbursed:</b>			
Instruction - Regular Programs	\$ 62,000	\$ 56,913	\$ (5,087)
Instruction - Special Education	93,345	92,606	(739)
Instruction - Other	1,850	1,836	(14)
Support Services - Student Based	25,405	23,580	(1,825)
Support Services - Non-Student Based	105,050	92,045	(13,005)
<b>Total Expenditures Disbursed</b>	<b>\$ 287,650</b>	<b>\$ 266,980</b>	<b>\$ (20,670)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (9,637)</b>	<b>\$ 6,274</b>	<b>\$ 15,911</b>
<b>Fund Balance, Beginning</b>		<b>292,989</b>	
<b>Fund Balance, Ending</b>		<b>\$ 299,263</b>	

Reference should be made to auditor's report regarding this information.

**MANHATTAN SCHOOL DISTRICT 114  
OTHER INFORMATION**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
FOR THE YEAR ENDED JUNE 30, 2016\***

	2015	2014
District's Proportion of the Net Pension Liability	0.001267%	0.00133%
District's Proportionate Share of the Net Pension Liability	\$830,037	\$811,453
State's Proportionate Share of the Net Pension Liability Associated with the Employer	35,054,746	32,264,251
Total	\$35,884,783	\$33,075,704
District's Covered-Employee Payroll	\$5,414,278	\$5,230,017
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	15.33%	15.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	41.50%	43.00%

\*The amounts presented were determined as of the prior fiscal-year end.

**Notes to Other Information**

**Changes of Assumptions**

Amounts reported in 2015 reflect an investment rate of return of 7.5 percent, an inflation rate of 3.0 percent and real return of 4.5 percent, and a salary increase that vary by service credit. In 2014, assumptions used were an investment rate of return of 7.5 percent, an inflation rate of 3.0 percent and real return of 4.5 percent, and salary increases of 5.75 percent.

Reference should be made to auditor's report regarding this information.

**MANHATTAN SCHOOL DISTRICT 114  
OTHER INFORMATION**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
FOR THE YEAR ENDED JUNE 30, 2016**

	2015	2014
Contractually-Required Contributions	\$ 44,398	\$ 47,571
Contributions in Relation to the Contractually-Required Contribution	44,398	47,571
Contribution Deficiency (Excess)	\$ --	\$ --
District's Covered-Employee Payroll	\$ 5,414,278	\$ 5,230,017
Contributions as a Percentage of Covered-Employee Payroll	0.82%	0.91%

Reference should be made to auditor's report regarding this information.

**MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114**  
**OTHER INFORMATION**  
**IMRF SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**FOR CALENDAR YEARS**

Calendar Year Ended December 31,	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>		
Service Cost	\$ 110,384	\$ 122,596
Interest on the Total Pension Liability	263,308	240,527
Changes of Benefit Terms	--	--
Differences Between Expected and Actual Experience of the Total Pension Liability	83,545	(84,994)
Changes of Assumptions	19,844	144,137
Benefit Payments, including Refunds of Employee Contributions	(118,639)	(96,813)
<b>Net Change in Total Pension Liability</b>	<u>\$ 358,442</u>	<u>\$ 325,453</u>
<b>Total Pension Liability - Beginning</b>	<u>3,519,587</u>	<u>3,194,134</u>
<b>Total Pension Liability - Ending (A)</b>	<u><u>\$ 3,878,029</u></u>	<u><u>\$ 3,519,587</u></u>
 <b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 101,602	\$ 108,226
Contributions - Employees	44,345	45,388
Net Investment Income	16,921	191,496
Benefit Payments, including Refunds of Employee Contributions	(118,639)	(96,813)
Other (Net Transfer)	(97,801)	11,365
<b>Net Change in Plan Fiduciary Net Position</b>	<u>\$ (53,572)</u>	<u>\$ 259,662</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>3,370,535</u>	<u>3,110,873</u>
<b>Plan Fiduciary Net Position - Ending (B)</b>	<u><u>\$ 3,316,963</u></u>	<u><u>\$ 3,370,535</u></u>
 <b>Net Pension Liability (Asset) - Ending (A) - (B)</b>	<u><u>\$ 561,066</u></u>	<u><u>\$ 149,052</u></u>
 <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	85.53%	95.77%
 <b>Covered Valuation Payroll</b>	\$ 985,467	\$ 950,269
 <b>Net Pension Liability as a Percentage of Covered Valuation Payroll</b>	56.93%	15.69%

**Notes to Schedule:**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Reference should be made to auditor's report regarding this information.

**MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114  
OTHER INFORMATION  
IMRF SCHEDULE OF EMPLOYER CONTRIBUTIONS  
IMRF MULTIYEAR SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2014	\$ 101,964	\$ 108,226	\$ (6,262)	\$ 950,269	11.39%
2015	101,602	101,602	0	985,467	10.31%

**Notes to Schedule:**

***Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate\****

***Valuation Date:***

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine 2015 Contributions Rates:**

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	28-year closed period
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	4%
<i>Price Inflation:</i>	3%, approximate; No explicit price inflation assumption is used in this valuation
<i>Salary Increases:</i>	4.40% to 16%. Including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
<i>Mortality:</i>	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120 percent of the table rates were used. For women, 92 percent of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

***Other Information:***

Notes: There were no benefit changes during the year.

\*Based on Valuation Assumptions used in the December 31, 2013, actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Reference should be made to the auditor's report regarding this information.

MANHATTAN SCHOOL DISTRICT 114  
OTHER INFORMATION

HEALTH INSURANCE PLAN FOR RETIRED EMPLOYEES  
SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Ratio of UAAL to Covered Payroll
June 30, 2016	\$ --	\$ 281,227	\$ 281,227	0.00%	\$ 5,676,297	4.95%
June 30, 2015	--	282,555	282,555	0.00%	5,676,297	4.98%
June 30, 2014	--	304,677	304,677	0.00%	5,274,149	5.78%

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
JUNE 30, 2016

Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed
June 30, 2016	\$ 25,047	92.80%
June 30, 2015	23,575	146.50%
June 30, 2014	24,106	118.90%

Reference should be made to auditor's report regarding this information.

## **Supplementary Information**

MANHATTAN SCHOOL DISTRICT 114  
GENERAL FUND

COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - MODIFIED CASH BASIS  
JUNE 30, 2016

	Educational Fund	Operations and Maintenance Fund	Working Cash Fund	Tort Fund	Total
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 351,744	\$ 396,519	\$ 908,288	\$ 134,718	\$ 1,791,269
Certificates of Deposit	1,550,000	1,770,000	900,000	--	4,220,000
Prepaid Payroll Withholdings	12,820	--	--	--	12,820
<b>Total Assets</b>	<b>\$ 1,914,564</b>	<b>\$ 2,166,519</b>	<b>\$ 1,808,288</b>	<b>\$ 134,718</b>	<b>\$ 6,024,089</b>
<b>Liabilities:</b>	\$ --	\$ --	\$ --	\$ --	\$ --
<b>Fund Balance:</b>					
Restricted	\$ --	\$ 996,846	\$ --	\$ 134,718	\$ 1,131,564
Committed	505,101	--	--	--	505,101
Unassigned	1,409,463	1,169,673	1,808,288	--	4,387,424
<b>Total Fund Balance</b>	<b>\$ 1,914,564</b>	<b>\$ 2,166,519</b>	<b>\$ 1,808,288</b>	<b>\$ 134,718</b>	<b>\$ 6,024,089</b>

Reference should be made to the auditor's report regarding this information.



MANHATTAN SCHOOL DISTRICT 114  
GENERAL FUND  
COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED AND CHANGES IN FUND BALANCES -MODIFIED CASH BASIS  
FISCAL YEAR ENDED JUNE 30, 2016

	Educational Fund	Operations and Maintenance Fund	Working Cash Fund	Tort Fund	Total
<b>Revenues Received:</b>					
Local Sources:					
Property Taxes	\$ 7,638,389	\$ 1,144,976	\$ --	\$ 187,926	\$ 8,971,291
Replacement Taxes	134,832	--	--	--	134,832
Tuition	832	--	--	--	832
Investment Income	597	3,029	1,719	55	5,400
Food Services	117,435	--	--	--	117,435
District/School Activity Income	22,523	--	--	--	22,523
Textbook Rentals	169,911	--	--	--	169,911
Rentals	--	30,712	--	--	30,712
Contributions and Donations from Private Sources	--	7,790	--	--	7,790
Impact Fees from Municipal or County Governments	--	34,383	--	--	34,383
Refund of Prior Years' Expenditures	143,545	5,003	--	--	148,548
Other Local Sources	27,259	63,717	--	--	90,976
<b>Total Local Sources</b>	<b>\$ 8,255,323</b>	<b>\$ 1,289,610</b>	<b>\$ 1,719</b>	<b>\$ 187,981</b>	<b>\$ 9,734,633</b>
State Sources	2,885,340	--	--	--	2,885,340
Federal Sources	495,912	--	--	--	495,912
<b>Total Revenues Received</b>	<b>\$ 11,636,575</b>	<b>\$ 1,289,610</b>	<b>\$ 1,719</b>	<b>\$ 187,981</b>	<b>\$ 13,116,885</b>
<b>Expenditures Disbursed:</b>					
Instruction - Regular Programs	\$ 4,308,789	\$ --	\$ --	\$ --	\$ 4,308,789
Instruction - Special Education	1,523,623	--	--	--	1,523,623
Instruction - Other	141,589	--	--	--	141,589
Support Services - Student Based	754,821	--	--	--	754,821
Support Services - Non-Student Based	1,415,630	1,028,570	--	121,230	2,565,430
Community Services	18,029	--	--	--	18,029
Nonprogramming Charges	1,655,257	36,794	--	--	1,692,051
Capital Outlay	58,617	58,422	--	--	117,039
Debt Service:					
Interest	6,431	--	--	--	6,431
<b>Total Expenditures Disbursed</b>	<b>\$ 9,882,796</b>	<b>\$ 1,123,786</b>	<b>\$ --</b>	<b>\$ 121,230</b>	<b>\$ 11,127,812</b>
<b>Net Change in Fund Balance before Other Financing Sources (Uses)</b>	<b>\$ 1,753,779</b>	<b>\$ 165,824</b>	<b>\$ 1,719</b>	<b>\$ 66,751</b>	<b>\$ 1,988,073</b>
<b>Other Financing Sources (Uses):</b>					
Principal on Bonds Sold	\$ 13,985	\$ --	\$ --	\$ --	\$ 13,985
Transfers In	1,719	--	--	--	1,719
Transfer Out	(1,233,535)	--	(1,719)	--	(1,235,254)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (1,217,831)</b>	<b>\$ --</b>	<b>\$ (1,719)</b>	<b>\$ --</b>	<b>\$ (1,219,550)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 535,948</b>	<b>\$ 165,824</b>	<b>\$ --</b>	<b>\$ 66,751</b>	<b>\$ 768,523</b>
<b>Fund Balance, Beginning</b>	<b>1,378,616</b>	<b>2,000,695</b>	<b>1,808,288</b>	<b>67,967</b>	<b>5,255,566</b>
<b>Fund Balance, Ending</b>	<b>\$ 1,914,564</b>	<b>\$ 2,166,519</b>	<b>\$ 1,808,288</b>	<b>\$ 134,718</b>	<b>\$ 6,024,089</b>

Reference should be made to the auditor's report regarding this information.

**MANHATTAN COMMUNITY UNIT SCHOOL DISTRICT 114**  
**FIDUCIARY FUND TYPES**  
**AGENCY FUNDS**  
**STUDENT ACTIVITY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**YEAR ENDED JUNE 30, 2016**

	Balance July 1, 2015	Additions	Subtractions	Balance June 30, 2016
<b>ASSETS</b>				
Cash	\$ 78,579	\$ 176,725	\$ 177,830	\$ 77,474
Investments	--	--	--	--
<b>Total Assets</b>	<b>\$ 78,579</b>	<b>\$ 176,725</b>	<b>\$ 177,830</b>	<b>\$ 77,474</b>
<b>LIABILITIES</b>				
Amounts Due to Organizations:				
AMCD Bk Tech	\$ 18,181	\$ 22,221	\$ 20,698	\$ 19,704
AMCD Library	7,190	12,130	10,560	8,760
AMCD St. C.	2,335	805	1,102	2,038
ART	15,534	5,944	4,354	17,124
MJHS Bk. Tech	4,349	43,309	40,104	7,554
MJHS Award A	1,344	--	--	1,344
MJHS Library	70	4,454	4,334	190
MJHS School	3,580	1,208	2,112	2,676
MJHS St. C.	761	715	1,083	393
W CRK Bk Tech	4,998	20,983	19,664	6,317
W CRK Library	4,139	11,201	13,550	1,790
POP	1,648	2,440	2,639	1,449
GEN	13,042	34,611	45,158	2,495
ONE	224	3,974	2,280	1,918
6th Grade	--	--	--	--
7th Grade	--	--	--	--
8th Grade	--	3,386	1,148	2,238
8th Grade Pr Yr	399	--	--	399
Drama	5	459	443	21
Athletics	780	8,885	8,601	1,064
<b>Total Liabilities</b>	<b>\$ 78,579</b>	<b>\$ 176,725</b>	<b>\$ 177,830</b>	<b>\$ 77,474</b>

Reference should be made to the auditor's report regarding this information.

**MANHATTAN SCHOOL DISTRICT 114**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES - MODIFIED CASH BASIS**  
**ALL FIDUCIARY FUNDS**  
**JUNE 30, 2016**

	Flexible Spending Account	Kerry Medley Settlement Agreement	Kristine Medley Settlement Agreement	Totals
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 11,326	\$ 10,498	\$ 10,498	\$ 32,322
<b>Liabilities:</b>				
Due to District	\$ 12,820	\$ --	\$ --	\$ 12,820
<b>Net Position:</b>				
Net Position Held in Trust for Benefits	\$ (1,494)	\$ --	\$ --	\$ (1,494)
Net Position Held in Escrow for Students	--	10,498	10,498	20,996
<b>Total Net Position</b>	<b>\$ (1,494)</b>	<b>\$ 10,498</b>	<b>\$ 10,498</b>	<b>\$ 19,502</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 11,326</b>	<b>\$ 10,498</b>	<b>\$ 10,498</b>	<b>\$ 32,322</b>

Reference should be made to auditor's report regarding this information.

**MANHATTAN SCHOOL DISTRICT 114**  
**COMBINING STATEMENT OF CHANGE IN NET POSITION**  
**ALL FIDUCIARY FUNDS**  
JUNE 30, 2016

	Flexible Spending Account	Kerry Medley Settlement Agreement	Kristine Medley Settlement Agreement	Totals
<b>Additions:</b>				
Employee Contributions	\$ 9,090	\$ --	\$ --	\$ 9,090
<b>Deductions:</b>				
Paid to Employees	\$ 10,584	\$ --	\$ --	\$ 10,584
Paid to Students	--	2,352	2,352	4,704
<b>Total Deductions</b>	<b>\$ 10,584</b>	<b>\$ 2,352</b>	<b>\$ 2,352</b>	<b>\$ 15,288</b>
<b>Net Increase (Decrease) in Restricted Net Position</b>	<b>\$ (1,494)</b>	<b>\$ (2,352)</b>	<b>\$ (2,352)</b>	<b>\$ (6,198)</b>
<b>Restricted Net Position, Beginning</b>	<b>--</b>	<b>12,850</b>	<b>12,850</b>	<b>25,700</b>
<b>Restricted Net Position, Ending</b>	<b>\$ (1,494)</b>	<b>\$ 10,498</b>	<b>\$ 10,498</b>	<b>\$ 19,502</b>

Reference should be made to auditor's report regarding this information.

## **Schedule of Findings**

**Manhattan SD 114**  
**56-099-1140-02**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ending June 30, 2016**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

1. FINDING NUMBER:<sup>11</sup> 2016- 001      2. THIS FINDING IS:       New       Repeat from Prior Year?  
 Year originally reported? \_\_\_\_\_

**3. Criteria or specific requirement**

All board members, administrators, certified business officials, and other qualifying personnel are required to file economic interest statements with the County Clerk per 5 ILCS 420/4A-101 et seq.

**4. Condition**

Statements of economic interest were not all timely filed.

**5. Context<sup>12</sup>**

The condition applies to the fiscal year 2016 economic interest statement filings.

**6. Effect**

The District did not comply with 5 ILCS 420/4A-101 et seq.

**7. Cause**

Four Board members did not file economic interest statements with the County Clerk.

**8. Recommendation**

We recommend the District monitor the filing of economic interest statements by all required parties with the County.

**9. Management's response<sup>13</sup>**

To ensure compliance, management will collect all economic interest statements from required parties and submit them for filing with the County Clerk.

**For ISBE Review**

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

<sup>11</sup> A suggested format for assigning reference numbers is to use the digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2016 would be assigned a reference number of 2016-001, 2016-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.).

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

<sup>13</sup> See §200.521 *Management decision* for additional guidance on reporting management's response.



**Manhattan SD 114  
56-099-1140-02  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ending June 30, 2016**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

1. FINDING NUMBER:<sup>11</sup>      2016- 003      2. THIS FINDING IS:       New       Repeat from Prior Year?  
Year originally reported? \_\_\_\_\_

**3. Criteria or specific requirement**  
All interfund loans are required to be made, disclosed and repaid in accordance with the provision of Sections 10-22.33, 20-4, and 20-5 of the School Code.

**4. Condition**  
The Educational, Operations and Maintenance, Debt Services, Transportation, Municipal Retirement/Social Security, and Tort Funds had overdrawn their share of cash from a commingled checking account, resulting in unauthorized interfund loans.

**5. Context<sup>12</sup>**  
The unauthorized loans occurred throughout fiscal year 2016 and remained in one district cash and investment account at June 30, 2016.

**6. Effect**  
An overdraft of cash from a commingled account constitutes an unauthorized interfund loan.

**7. Cause**  
Individual fund cash balances were not monitored to ensure that unauthorized loans did not occur.

**8. Recommendation**  
The District should monitor individual funds' cash balances to ensure that unauthorized interfund loans do not occur.

**9. Management's response<sup>13</sup>**  
Management will implement the auditor's recommendation in fiscal year 2017.

<b>For ISBE Review</b>	
Date _____	Resolution Criteria Code Number _____
Initials _____	Disposition of Questioned Costs Code Letter _____

<sup>11</sup> A suggested format for assigning reference numbers is to use the digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2016 would be assigned a reference number of 2016-001, 2016-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.).

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

<sup>13</sup> See §200.521 *Management decision* for additional guidance on reporting management's response.





**Manhattan SD 114**  
**56-099-1140-02**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ending June 30, 2016**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

1. FINDING NUMBER:<sup>11</sup>      2016- 005      2. THIS FINDING IS:       New       Repeat from Prior Year?  
Year originally reported?      2011

**3. Criteria or specific requirement**

Management relies on the audit firm to prepare full disclosure financial statements in accordance with Government Accounting Standards Board Statement No. 34 (GASB 34).

**4. Condition**

The District prepares interim financial reports for management use; however, the District currently lacks sufficient expertise to prepare year-end full disclosure financial statements without significant assistance from the auditor.

**5. Context<sup>12</sup>**

In accordance with prescribed definitions in the Statement of Auditing Standards No. 112, it is a strong indication of a deficiency in internal control over financial reporting if an entity lacks significant controls over the period end reporting process.

**6. Effect**

Lack of sufficient expertise for full disclosures GASB 34 year-end financial statement presentation could result in controls not being effective in preventing or detecting material misstatements particularly in the disclosures to the financial statements.

**7. Cause**

The District has not retained an individual to specifically monitor standards promulgated by the American Institute or Certified Public Accountants as they relate to full disclosure GASB 34 statement presentation. Preparation of full disclosure financial statements is not an assigned function for District accounting staff.

**8. Recommendation**

We recommend the District evaluate the benefits of full disclosure GASB 34 financial statements and consider only regulatory basis presentation.

**9. Management's response<sup>13</sup>**

District management is currently confident of the abilities of the accounting staff to prepare interim financial reports. It is unclear what level of training may be needed to reach an appropriate level of expertise to prepare full disclosure GASB 34 financial statements. Management will evaluate the cost/benefits of the GASB 34 presentation and additional training.

**For ISBE Review**

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

<sup>11</sup> A suggested format for assigning reference numbers is to use the digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2016 would be assigned a reference number of 2016-001, 2016-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.).

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

<sup>13</sup> See §200.521 *Management decision* for additional guidance on reporting management's response.