

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

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

MANHATTAN SCHOOL DISTRICT 114
TABLE OF CONTENTS
JUNE 30, 2018

	<u>Page</u>
<u>Financial Section:</u>	
Independent Auditor's Report	1-2
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	3-4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Modified Cash Basis	5
Statement of Activities – Modified Cash Basis	6
Fund Financial Statements:	
Governmental Fund Financial Statements	
Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis – Governmental Funds	7
Reconciliation of the Total Governmental Fund Balances to Net Position of Governmental Activities – Modified Cash Basis	8
Statement of Revenues Received, Expenditures Disbursed and Changes in Fund Balances – Modified Cash Basis - Governmental Funds	9
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	10
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position – Modified Cash Basis	11
Statement of Change in Fiduciary Net Position – Modified Cash Basis	12
Notes to Basic Financial Statements:	
Notes to Basic Financial Statements	13-36

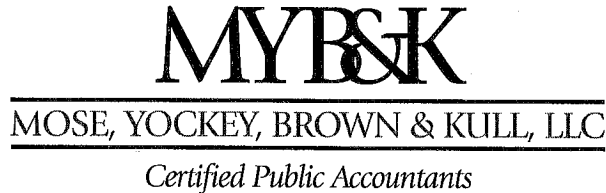
MANHATTAN SCHOOL DISTRICT 114
TABLE OF CONTENTS
JUNE 30, 2018

	<u>Page</u>
Other Information:	
Budgetary Comparison Schedule – Modified Cash Basis – General Fund	37
Budgetary Comparison Schedule – Modified Cash Basis - Debt Services Fund	38
Budgetary Comparison Schedule – Modified Cash Basis – Transportation Fund	39
Budgetary Comparison Schedule – Modified Cash Basis – IMRF/Social Security Fund	40
Supplementary Information:	
Combining Statement of Assets, Liabilities and Fund Balances - Modified Cash Basis – General Fund	41
Combining Statement of Revenues Received, Expenditures Disbursed and Changes in Fund Balances – Modified Cash Basis – General Fund	42
Combining Statement of Changes in Assets and Liabilities – Modified Cash Basis – Student Activity Funds – Agency Funds	43
Combining Statement of Assets and Liabilities – Modified Cash Basis – Trust Funds	44
Combining Statement of Change in Net Position – Modified Cash Basis – Trust Funds	45
Schedule of Findings and Questioned Costs:	
Schedule of Findings and Questioned Costs	46-48

Financial Section

10/1/2011
10/1/2011
10/1/2011

230 N. Morgan Street
P.O. Box 317
Shelbyville, IL 62565
Tel: 217.774.9587
Fax: 217.774.9589
Email: mybkcpas@consolidated.net



ROBIN R. YOCKEY, CPA
KENT D. KULL, CPA
CORY A. BROWN, CPA

WILLIAM R. MOSE, CPA

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 and each major fund of Manhattan School District 114 (District), as of and for the year ended June 30, 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 respects, the respective modified cash-basis financial position of the governmental activities and each major fund of Manhattan School District 114 as of June 30, 2018, and 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

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

Supplementary Information

The combining 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 fund financial statements as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The budgetary comparison schedules as 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 12, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Manhattan School District 114's 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.

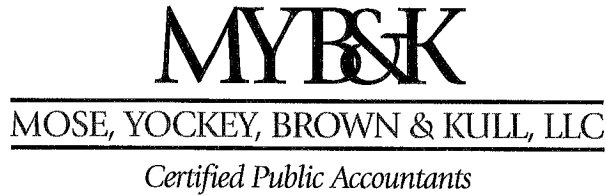
Mose, Yockey, Brown + Kull, LLC.

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

Shelbyville, Illinois

November 12, 2018

230 N. Morgan Street
P.O. Box 317
Shelbyville, IL 62565
Tel: 217.774.9587
Fax: 217.774.9589
Email: mybkcpas@consolidated.net



ROBIN R. YOCKEY, CPA
KENT D. KULL, CPA
CORY A. BROWN, CPA

WILLIAM R. MOSE, CPA

**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 and each major fund of Manhattan School District 114 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Manhattan School District 114's basic financial statements, and have issued our report thereon dated November 12, 2018.

Internal Control Over Financial Reporting

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

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 and therefore; material weaknesses or significant deficiencies may exist that have that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2018-003 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's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 and questioned costs as 2018-001 and 2018-002.

We noted certain matters that we reported to management of Manhattan School District 114 in a separate letter dated November 12, 2018.

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 response was 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.

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

November 12, 2018

Basic Financial Statements

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

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
JUNE 30, 2018

	Governmental Activities
Assets:	
Current Assets:	
Cash and Cash Equivalents	\$ 4,045,057
Certificates of Deposit	6,388,860
Due from Flexible Spending Account	12,820
Total Current Assets	\$ 10,446,737
Noncurrent Assets:	
Capital Assets:	
Land	4,519,365
Site Improvements, net	59,156
Buildings, net	13,827,821
Equipment, net	438,489
Construction in Progress	26,400
Total Noncurrent Assets	\$ 18,871,231
Total Assets	\$ 29,317,968
 Liabilities:	
Current Liabilities:	
Long-Term Debt Due Within One Year	744,623
Noncurrent Liabilities:	
Long-Term Debt Due in More Than One Year	12,985,993
Total Liabilities	\$ 13,730,616
 Net Position:	
Net Investment in Capital Assets	\$ 5,140,615
Restricted for:	
Operations and Maintenance	1,143,224
Debt Services	195,832
Transportation	729,209
Retirement Benefits	256,769
Tort Immunity	169,027
Unrestricted	7,952,676
Total Net Position	\$ 15,587,352

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

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs:	Program Receipts/Revenues			Net (Disbursements) Revenue and Change in Net Position
	Disbursements	Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 6,769,052	\$ 213,474	\$ 581,838	\$ (5,973,740)
Support Services	3,809,158	129,122	755,717	(2,924,319)
Community Services	21,723	--	--	(21,723)
Nonprogramming Charges	2,945,036	--	--	(2,945,036)
Interest Expense	1,088,422	--	--	(1,088,422)
Deposits into Escrow for Bond Interest Defeasement/Bond Issuance Costs	3,765,808	--	--	(3,765,808)
Other Debt Service	550	--	--	(550)
Total Governmental Activities	\$ 18,399,749	\$ 342,596	\$ 1,337,555	\$ (16,719,598)

General Receipts/Revenues:

Property Taxes	\$ 11,210,678
Replacement Taxes	125,325
Evidence Based Funding Formula	3,411,523
Earnings on Investments	21,413
Impact Fees from Municipal or County Governments	78,501
Refund of Prior Years' Expenditures	350
Premium on Bonds Sold	109,491
Other Income	25,784
Total General Receipts/Revenues	\$ 14,983,065
Change in Net Position	\$ (1,736,533)
Net Position - Beginning	11,864,625
Prior Period Adjustment	5,459,260
Net Position - Ending	\$ 15,587,352

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

Fund Financial Statements

Governmental Fund Financial Statements

MANHATTAN SCHOOL DISTRICT 114
 MANHATTAN, ILLINOIS
 STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES-
 MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Major Funds					Total Governmental Funds
	General Fund	Debt Services Fund	Transportation Fund	IMRF/Social Security Fund	Total Governmental Funds	
Assets:						
Cash and Cash Equivalents	\$ 3,363,247	\$ 95,832	\$ 429,209	\$ 156,769	\$ 4,045,057	
Certificates of Deposit	5,888,860	100,000	300,000	100,000	6,388,860	
Due from Flexible Spending Account	12,820	--	--	--	12,820	
Total Assets	\$ 9,264,927	\$ 195,832	\$ 729,209	\$ 256,769	\$ 10,446,737	
Liabilities:						
	\$ --	\$ --	\$ --	\$ --	\$ --	
Fund Balances						
Restricted	\$ 1,312,251	\$ 195,832	\$ 729,209	\$ 256,769	\$ 2,494,061	
Committed	842,785	--	--	--	842,785	
Unassigned	7,109,891	--	--	--	7,109,891	
Total Fund Balances	\$ 9,264,927	\$ 195,832	\$ 729,209	\$ 256,769	\$ 10,446,737	
Total Liabilities and Fund Balances	\$ 9,264,927	\$ 195,832	\$ 729,209	\$ 256,769	\$ 10,446,737	

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

**MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES-MODIFIED CASH BASIS
JUNE 30, 2018**

Total Fund Balances, Governmental Funds	\$ 10,446,737
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.	(13,730,616)
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	<u>18,871,231</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 15,587,352</u>

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

MANHATTAN SCHOOL DISTRICT 114
 MANHATTAN, ILLINOIS
 STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED
 AND CHANGES IN FUND BALANCE-MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS
 FISCAL YEAR ENDED JUNE 30, 2018

	Major Funds					Total Governmental Funds
	General Fund	Debt Services Fund	Transportation Fund	IMRF/Social Security Fund		
Revenues Received:						
Local Sources:						
Property Taxes	\$ 10,112,252	\$ 467,035	\$ 379,474	\$ 251,917	\$ 11,210,678	
Replacement Taxes	120,325	—	—	5,000	125,325	
Transportation Fees	—	—	2,975	—	2,975	
Investment Income	20,069	—	910	434	21,413	
Food Services	91,373	—	—	—	91,373	
District/ Student Activity Income	37,365	—	—	—	37,365	
Textbook Rentals	176,109	—	—	—	176,109	
Rentals	34,774	—	—	—	34,774	
Impact Fees from Municipal or County Governments	78,501	—	—	—	78,501	
Refund of Prior Years' Expenditures	350	—	—	—	350	
Other Local Sources	25,784	—	—	—	25,784	
Total Local Sources	\$ 10,696,902	\$ 467,035	\$ 383,359	\$ 257,351	\$ 11,804,647	
State Sources	3,678,909	—	659,820	—	4,338,729	
Federal Sources	410,349	—	—	—	410,349	
Total Revenues Received	\$ 14,786,160	\$ 467,035	\$ 1,043,179	\$ 257,351	\$ 16,553,725	
Expenditures Disbursed:						
Current:						
Instruction	\$ 6,116,445	\$ —	\$ —	\$ 168,268	\$ 6,284,713	
Support Services	3,530,643	—	27,085	124,325	3,682,053	
Community Services	21,723	—	—	—	21,723	
Nonprogramming Charges	1,881,205	—	1,063,831	—	2,945,036	
Capital Outlay	103,475	—	—	—	103,475	
Debt Service:						
Principal Retirement	—	687,925	—	—	687,925	
Interest	—	1,088,422	—	—	1,088,422	
Other	—	550	—	—	550	
Total Expenditures Disbursed	\$ 11,653,491	\$ 1,776,897	\$ 1,090,916	\$ 292,593	\$ 14,813,897	
Net Change in Fund Balance before Other Financing Sources (Uses)	\$ 3,132,669	\$ (1,309,862)	\$ (47,737)	\$ (35,242)	\$ 1,739,828	
Other Financing Sources (Uses):						
Principal on Bonds Sold	\$ 39,182	\$ 5,055,000	\$ —	\$ —	\$ 5,094,182	
Premium on Bonds Sold	—	109,491	—	—	109,491	
Deposits into Escrow for Debt Service Defeasement/Cost of Bond Issuance	—	(5,164,491)	—	—	(5,164,491)	
Transfer In	—	1,505,694	—	—	1,505,694	
Transfer Out	(1,505,694)	—	—	—	(1,505,694)	
Total Other Financing Sources (Uses)	\$ (1,466,512)	\$ 1,505,694	\$ —	\$ —	\$ 39,182	
Net Change in Fund Balance	\$ 1,666,157	\$ 195,832	\$ (47,737)	\$ (35,242)	\$ 1,779,010	
Fund Balance, Beginning	7,598,770	—	776,946	252,011	8,667,727	
Fund Balance, Ending	\$ 9,264,927	\$ 195,832	\$ 729,209	\$ 256,769	\$ 10,446,737	

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

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
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, 2018

Net changes in fund balances, governmental funds	\$	1,779,010
--	----	-----------

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		687,925
Deposits into Escrow for Bond Principal Defeasement		1,398,683
Current year long-term debt issuance		(5,094,182)

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 capital outlay expenditures		103,475
Current year depreciation expense on capitalized assets		(611,444)

	\$	<u>(1,736,533)</u>
--	----	--------------------

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

Fiduciary Fund Financial Statements

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION-MODIFIED CASH BASIS
JUNE 30, 2018

	Trust Funds	Agency Fund- Student Activity Funds	Total
Assets:			
Cash and Cash Equivalents	\$ 11,911	\$ 52,699	\$ 64,610
Liabilities:			
Due to District	\$ 12,820	--	\$ 12,820
Due to Organizations- Student Activity Funds	--	52,699	52,699
Total Liabilities	\$ 12,820	\$ 52,699	\$ 65,519
Net Position:			
Net Position Held in Trust for Benefits	\$ (909)	--	\$ (909)
Net Position Held in Escrow for Students	--	--	--
Total Net Position	\$ (909)	--	\$ (909)
Total Liabilities and Net Position	\$ 11,911	\$ 52,699	\$ 64,610

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

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2018

	Trust Funds
Additions:	
District Contributions	\$ 48
Employee Contributions	22,773
	\$ 22,821
Deductions:	
Paid to Employees	\$ 22,073
Paid to Students	8,004
	\$ 30,077
Net Increase (Decrease) in Restricted Net Position	\$ (7,256)
Restricted Net Position, Beginning	6,347
Restricted Net Position, Ending	\$ (909)

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

Notes to the Basic Financial Statements

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 Joint Agreement District 843, 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.

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 1 – Continued

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

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

The government-wide financial statements are reported using the 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. Assets of a fund are only recorded when a right to receive cash exists which arises from previous cash transactions. Liabilities of a fund, similarly, result from previous cash transactions, this includes recognizing amounts withheld and not remitted from employees' pay as payroll liabilities.

The District reports the following major governmental funds:

General Fund – The Educational, Operations and Maintenance, Working Cash and Tort Funds 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 Fund is used to account for the regular operations of the District. All receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This fund 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 Fund.

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

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

The Tort Fund 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.

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 1 – Continued

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.

The Settlement Agreement Trust Funds are used to account for the compensatory educational and related services of the individual students until the students reach 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 13, 2017 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.

MANHATTAN SCHOOL DISTRICT 114
 MANHATTAN, ILLINOIS
 NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 1 – Continued

E. Investments

In accordance with the modified cash basis of accounting, investments are recorded at cost rather than at fair value as required by GASB Statement No. 72, Fair Value Measurement and Application. Gains or losses on the sale of investments are recognized upon realization. The District has adopted a formal written investment policy. The institutions in which investments are made must be approved by the Board of Education. The District's investments consist of certificates of deposit and money market accounts. In the financial statements, all money market accounts are considered cash equivalents and all certificates of deposit are not considered cash equivalents.

F. Inventories

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

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 are reported in the governmental activities column in the government-wide financial statements. 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 expense resulting from the amortization of assets recorded under capital leases is included with depreciation expense.

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

<u>Property Type</u>	<u>Estimated Useful Life (years)</u>
Depreciable Land	50
Buildings:	
Permanent	50
Temporary	20
Infrastructure other than Buildings	20
Capitalized Equipment	3-10

H. 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 issued. Payments on debt principal are recorded as debt service expenditures. Deposits into escrow for the defeasement of future debt service payments and the related bond issuance costs are reported as other financing uses.

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 1 – Continued

I. 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.

J. 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. The most sensitive estimate affecting the financial statements is the estimate of depreciation expense based on the estimated useful lives by asset type.

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. Taxes are levied in Will County. The most recent levy was adopted by the board on December 13, 2017. 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 2017, 2016 and prior levies are reported as receipts from local sources in the June 30, 2018 financial statements.

The Property Tax Extension Limitation Law of the State of Illinois, as amended (PTELL), limits the amount of annual increase in property taxes to be extended for certain Illinois non-home rule units of government, including this district. In general, the PTELL restricts the amount of a property tax extension increase to the lesser of 5% or the percentage increase in the Consumer Price Index for Urban Consumers during the preceding calendar year. Tax levies may also be increased due to assessed valuation increases from new construction, referendum approval, and consolidation of local government units.

The effect of the PTELL is to limit the growth of the amount of property taxes that can be extended for a taxing body. The PTELL was effective for Will County for property taxes levies after 1991.

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 2 – Continued

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:

Levy	2017 Maximum	Actual	
		2017 Levy	2016 Levy
Educational	Unlimited	3.1399	3.1062
Operations and Maintenance	0.5500	0.4886	0.5018
Debt Services	Unlimited	0.1974	0.1543
Transportation	Unlimited	0.1504	0.1372
Municipal Retirement	Unlimited	0.0376	0.0392
Social Security	Unlimited	0.0564	0.0589
Tort Immunity	Unlimited	0.0094	0.0753
Working Cash	0.0500	0.0451	0.0470
Special Education	0.4000	0.1383	0.1451
		<u>4.2631</u>	<u>4.2650</u>

Note 3 - Cash and Investments

Cash and investments as of June 30, 2018 consist of the following:

Cash on Hand	\$ 300
Certificates of Deposit with financial institutions	6,388,860
Deposits with financial institutions	2,922,102
Money Market Accounts with financial institutions	<u>1,187,265</u>
Total cash and investments	<u>\$ 10,498,527</u>

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*.

Common Bank Account

Separate bank accounts are not maintained for all District funds; instead, certain funds maintain their uninvested cash balances in a common checking account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 3 – Continued

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, 2018, the District's cash and investments were deposits in financial institutions. The cash and investments are all demand deposits with the exception of the following:

<u>Investment</u>	<u>Amount</u>	<u>Maturity Date</u>
Certificate of Deposit	\$ 500,000	August 1, 2018
Certificate of Deposit	900,000	November 22, 2018
Certificate of Deposit	600,000	November 22, 2018
Certificate of Deposit	1,660,000	November 28, 2018
Certificate of Deposit	1,077,164	November 30, 2018
Certificate of Deposit	851,696	December 3, 2018
Certificate of Deposit	800,000	February 1, 2019
	<u>\$ 6,388,860</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 rate at the time of purchase at one of the three highest classifications established by at least two standard rating services. The District's 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 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 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 SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 3 – Continued

As of June 30, 2018, \$9,804,179 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 in the District's name or the financial institution has an irrevocable Letter of Credit with the Federal Home Loan Bank of Chicago with the District named as the beneficiary. None of the District's deposits were held in uninsured or 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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 4,519,365	\$ --	\$ --	\$ 4,519,365
Construction in Progress	--	26,400	--	26,400
<u>Depreciable Capital Assets:</u>				
Buildings and Building Improvements	25,217,815	24,426	--	25,242,241
Site Improvements and Infrastructure	960,467	--	--	960,467
Capitalized Equipment	3,194,088	52,649	2,635,960	610,777
Total Capital Assets	<u>\$ 33,891,735</u>	<u>\$ 103,475</u>	<u>\$ 2,635,960</u>	<u>\$ 31,359,250</u>
<u>Accumulated Depreciation:</u>				
Buildings and Building Improvements	\$ 10,909,575	\$ 504,845	\$ --	\$ 11,414,420
Site Improvements and Infrastructure	853,288	48,023	--	901,311
Capitalized Equipment	2,749,672	58,576	2,635,960	172,288
Total Accumulated Depreciation	<u>\$ 14,512,535</u>	<u>\$ 611,444</u>	<u>\$ 2,635,960</u>	<u>\$ 12,488,019</u>
Capital Assets, Net	<u>\$ 19,379,200</u>	<u>\$ (507,969)</u>	<u>\$ --</u>	<u>\$ 18,871,231</u>

Depreciation is allocated to functions/programs in the government-wide financial statements as follows:

Governmental Activities:

Instruction	\$484,339
Support Services	<u>127,105</u>
Total Depreciation Expense	<u>\$611,444</u>

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 5 – Debt

Long-Term Debt

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

	Balance July 1, 2017	Proceeds	Decreases	Balance June 30, 2018
Capital Appreciation School Bonds, 2004C	\$ 5,733,359	\$ --	\$ 1,825,783	\$ 3,907,576
GO Refunding School Bonds, 2015	4,380,000	--	--	4,380,000
Apple Lease, Fiscal Year 2015	303,143	--	150,443	152,700
Apple Lease, Fiscal Year 2016	9,185	--	4,526	4,659
Apple Lease, Fiscal Year 2017	297,354	--	97,306	200,048
American Capital Lease	--	39,182	8,549	30,633
GO Refunding School Bonds, 2017	--	5,055,000	--	5,055,000
	<u>\$ 10,723,041</u>	<u>\$ 5,094,182</u>	<u>\$ 2,086,607</u>	<u>\$ 13,730,616</u>

The district is subject to a statutory debt limitation equal to 6.9% of the District's Equalized Assessed Valuation (EAV). The district's statutory debt limitation at June 30, 2018 was \$18,359,935, leaving \$4,629,319 available. The Capital Appreciation and Refunding School Bonds debt service payments are paid from the Debt Services Fund and by a transfer from the Educational Fund to the Debt Services Fund. The debt service payments for the Apple Leases and American Capital Lease are paid for by a transfer from the Educational Fund to the Debt Services Fund.

At June 30, 2018, there were \$195,832 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. In addition, due to the GO Refunding School Bonds, 2017 outlined below \$1,398,682 of these bonds were considered defeased in December, 2017.

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 5 – Continued

At June 30, 2018, 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>
2019	\$ 488,156	\$ 1,171,844	\$ 1,660,000
2020	447,021	1,212,978	1,659,999
2021	409,356	1,250,644	1,660,000
2022	844,567	2,895,433	3,740,000
2023	811,651	3,113,350	3,925,001
2024	781,110	3,343,890	4,125,000
2025	125,715	599,285	725,000
	<u>\$ 3,907,576</u>	<u>\$ 13,587,424</u>	<u>\$ 17,495,000</u>

2. GO 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, as described previously, 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 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 SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 5 – Continued

At June 30, 2018, 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>
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>\$ 1,540,600</u>	<u>\$ 5,920,600</u>

3. 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, 2018, the annual cash flow requirements of lease principal and interest were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	<u>\$ 152,700</u>	<u>\$ 2,290</u>	<u>\$ 154,990</u>

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 5 – Continued

4. 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, 2018, the annual cash flow requirements of lease principal and interest were as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 4,659	\$ 139	\$ 4,798

5. Apple Lease, Fiscal Year 2017

Agreement dated August 30, 2016, provides for annual payments of principal and interest at a rate of 1.85% for the purchase of Apple Computer equipment at \$400,162.

At June 30, 2018, the annual cash flow requirements of lease principal and interest were as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 99,108	\$ 3,700	\$ 102,808
2020	100,940	1,868	102,808
	<u>\$ 200,048</u>	<u>\$ 5,568</u>	<u>\$ 205,616</u>

6. American Capital Lease

Agreement dated September 15, 2017, provides for annual payments of principal and interest at a rate of 4.6% for the purchase of technology equipment at \$39,182.

At June 30, 2018, the annual cash flow requirements of lease principal and interest were as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 7,216	\$ 1,333	\$ 8,549
2020	7,451	1,098	8,549
2021	7,800	749	8,549
2022	8,166	383	8,549
	<u>\$ 30,633</u>	<u>\$ 3,563</u>	<u>\$ 34,196</u>

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 5 – Continued

7. GO Refunding School Bonds, 2017

In December, 2017, the District issued \$5,055,000 of GO Refunding Bonds. The bonds are dated December 28, 2017, and \$5,020,334 of the net proceeds (after payment of \$144,158 in underwriting fees, insurance, and other issuance costs and \$109,491 proceeds from premium on bonds sold) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the Capital Appreciation School Bonds, 2004C, as described previously, with an average interest rate of 9.0 percent. As a result, \$1,398,682 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 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 3.5 percent.

At June 30, 2018, the annual cash flow requirements of bond principal and interest were as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ -	\$ 178,399	\$ 178,399
2020	-	176,925	176,925
2021	-	176,925	176,925
2022	-	176,925	176,925
2023	-	176,925	176,925
2024	-	176,925	176,925
2025	1,630,000	176,925	1,806,925
2026	1,685,000	119,875	1,804,875
2027	1,740,000	60,900	1,800,900
	<u>\$ 5,055,000</u>	<u>\$ 1,420,724</u>	<u>\$ 6,475,724</u>

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 6 - Retirement Fund Commitments

A. Teachers' Retirement System of the State of Illinois

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 <https://www.trsil.org/financial/cafrs/fy2017>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 678-3675, 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 2 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 2 are identical to those of Tier 1. Death benefits are payable under a formula that is different from Tier 1.

Essentially all Tier 1 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 2 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.

Public Act 100-0023, enacted in 2017, creates an optional Tier 3 hybrid retirement plan, but it has not yet gone into effect. The earliest possible implementation date is July 1, 2019.

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.

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 6 – Continued

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, 2018, was 9.0 percent of creditable earnings. The 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, 2018, State of Illinois contributions paid on behalf of the District were based on the state's proportionate share of the collective NPL associated with the District. The State of Illinois paid \$4,127,153 in pension contributions on behalf of the District.

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, 2018, were \$33,825, and were paid toward this obligation in the current fiscal year.

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 Public Act 100-0340, the federal and special trust fund contribution rate is the total employer normal cost beginning with the year ended June 30, 2018.

Previously, employer contributions for employees paid from federal and special trust funds were at the same rate as the state contribution rate to TRS and were much higher.

For the year ended June 30, 2018, the employer pension contribution was 10.10 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2018, salaries totaling \$32,000 were paid from federal and special trust funds that required employer contributions of \$3,232.

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 program that ended on June 30, 2016 is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2018, the District paid \$0 to TRS for employer ERO contributions for retirements that occurred before July 1, 2016.

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, 2018, 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 SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 6 – Continued

d. Pension Expense

On a modified cash basis, the District contributed \$37,057 for the year ended June 30, 2018.

B. Illinois Municipal Retirement Fund

IMRF Plan Description

The District's defined benefit pension plan for non-certified 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 disclosure. 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.

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 I benefits. Tier I employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier I 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.

MANHATTAN SCHOOL DISTRICT 114
 MANHATTAN, ILLINOIS
 NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 6 - Continued

Employees covered by Benefit Terms

As of December 31, 2017, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	34
Inactive Plan Members entitled to but not yet receiving benefits	46
Active Members	43
Total	123

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 2017 was 10.26%. For the fiscal year ended June 30, 2018, the District contributed \$121,730 to the plan and recognized this amount as pension expense in accordance with the modified cash basis of accounting. 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.

C. Aggregate Pension Reporting

The following aggregate pension information is provided:

Plan	<u>TRS</u>	<u>IMRF</u>	<u>Total</u>
Pension expense reported on modified cash basis	\$37,057	\$121,730	\$158,787

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 \$170,864, 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.

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 7 - Continued

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to the THIS Fund.

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

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

The State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to the THIS Fund from active members which were 1.18 percent of pay during the year ended June 30, 2018. State of Illinois contributions made on behalf of the District were \$68,817 during the year.

•**Employer Contributions to the THIS Fund**

The District also makes contributions to the THIS Fund. The District THIS Fund contribution was 0.88 percent during the year ended June 30, 2018. For the year ended June 30, 2018, the District paid \$51,321 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: <http://www.auditor.illinois.gov/Audit-Reports/HEALTHCARE-FAMILY-SERVICES-Teacher-Health-Ins-Sec-Fund.asp>."

B. **Other Post-Employment Benefits**

The District provides post-retirement health care benefits for the retirees and their dependents. All retirees are eligible to continue their health coverage under the District's health insurance plan. The retirees are responsible for the entire premium payment to secure coverage. The District finances the plan on a pay-as-you-go basis. The unfunded actuarial liability has not been determined as of June 30, 2018.

Plan Description

The District administers a single-employer defined benefit healthcare plan. The support employees who contribute to IMRF are eligible for post-retirement medical coverage. The plan does not issue a separate publicly available financial report.

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 7 - Continued

Funding Policy

The contribution requirement of the district may be amended by the School Board. Current policy is to pay for post-retirement medical and insurance benefits or premiums as they occur. The District requires retirees to contribute 100% of the premium for their desired coverage. The premiums are established for the employee/retiree group, which is currently \$596-\$798 per month for individual coverage and ranges from \$849-\$1,461 per month for various individual/dependent coverages. Although, with regard to retirees, this amount contains an implied rate subsidy by the district through the blended premium covering all current employees and retirees, there is no actuarial valuation performed to determine the amount of such subsidy.

Contributions Made

Because the retiree insurance premium established is paid entirely by retiree contributions, there is no net cash outflow by the District related to these benefits when paid. Therefore, there are no modified cash-basis expenditures reported by the District in regard to the plan benefits for retirees.

C. **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 \$12,111 for fiscal year ending June 30, 2018. The amounts contributed for fiscal years ending June 30, 2017 and 2016 were \$9,596 and \$34,532, respectively.

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. Below are definitions of the classifications.

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.

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 8 – Continued

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. The revenues received in the District's Debt Services, Transportation, Municipal Retirement/Social Security, and Tort Funds are subject to outside restrictions, and therefore the fund balances for the funds are reported as restricted. The District has several revenue sources received within different funds that also fall into these categories.

1. Special Education Levy

Cash receipts and the related cash disbursements of this restricted tax levy are accounted for in the Educational Fund. At June 30, 2018, 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, 2018, cumulative expenditures disbursed exceeded cumulative revenue received from state grants, resulting in no restricted balances.

3. Federal Grants

Proceeds from federal grants and the related expenditures have been included in the Educational Fund. At June 30, 2018, cumulative expenditures disbursed exceeded cumulative revenue received from federal grants, resulting in no restricted balances.

4. Social Security Levy

Cash receipts and the related cash disbursements of this restricted tax levy are accounted for in the Municipal Retirement/Social Security Fund. For the year ended June 30, 2018, cumulative revenue received from Social Security levy exceeded cumulative expenditures disbursed for this purpose, resulting in a restricted fund balance of \$31,287. Prior to June 30, 2008, the District did not track tax amounts restricted 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 receipts and the related cash disbursements for this restricted revenue are accounted for in the Operations and Maintenance Fund. For the year ended June 30, 2018, cumulative revenue received exceeded cumulative expenditures disbursed for this purpose by \$1,143,224, resulting in a restricted fund balance of that amount.

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

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 8 – Continued

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, 2018, the total amount of unpaid contracts for services performed during the fiscal year ended June 30, 2018 was \$565,785.

2. Chiller Replacements

In February 2018, the District entered into an agreement to replace the chillers at Anna McDonald School and Manhattan Junior High School. The cost of the replacement is \$303,400 to be paid from the Operations & Maintenance Fund. As of June 30, 2018, the District has expended \$26,400 on the replacements, leaving a committed balance of \$277,000 in the Operations & Maintenance Fund.

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, 2018, 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.

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.

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 9 - Required Individual Fund Disclosures

A. Overexpenditure of Budget

During the fiscal year ended June 30, 2018, there were no instances of overexpending the budgeted amounts in the individual funds.

B. Deficit Fund Balances/Net Position

There were no deficit fund balances at June 30, 2018. However, the Flexible Spending Account had a deficit net position of \$909 at June 30, 2018.

C. Individual Fund Interfund Receivable and Payable Balances

The only interfund receivable or payable balance at June 30, 2018 is \$12,820 owed to the Educational Fund by the Flexible Spending Account due to the Educational Fund paying the initial balance to open the Flexible Spending Account.

D. Interfund Transfers

The following interfund transfer occurred during the year ended June 30, 2018:

Fund	Transfer In	Transfer Out
Educational Fund	\$ --	\$ 1,505,694
Debt Services Fund	1,505,694	--
	\$ 1,505,694	\$ 1,505,694

The interfund transfer was made to pay debt service payments on capital leases and bond issuances.

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 purchases commercial insurance. There has not been a significant reduction in the District's insurance coverage as of June 30, 2018. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

Note 11 - Related Party Transactions

The District is a member of the Lincoln-Way Area Special Education Joint Agreement District 843 (Joint Agreement). During the fiscal year ended June 30, 2018, the District paid \$2,252,756 to the Joint Agreement for special education services and received \$259,872 in reimbursements and pass through grant funds.

Note 12 - Economic Dependence

The District is economically dependent on the State of Illinois for funding. At June 30, 2018, the State of Illinois was delinquent in its payments to Illinois school districts.

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 13 - 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 the District.

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, 2018, the District would be required to compensate them for their unused vacation time. The computed amounts of compensation for unpaid vacation at June 30, 2018, was \$56,342.

Unpaid Employee Contracts

At June 30, 2018, the District was obligated for \$565,785 in unpaid employee contracts.

Retirement Commitments

As explained in Note 6, the District participates in the Teachers' Retirement System of the State of Illinois and the Illinois Municipal Retirement Fund. The District is committed for the net pension liability of the IMRF plan and its proportionate share of the TRS liability. Details of the net pension liability, pension expense and other information associated with these plans are not included in the District's modified cash basis financial statements, but are provided to the District by IMRF and TRS.

Copier Lease Agreement

On March 8, 2017, the Board of Education approved to enter into an operating lease with Proven Business Systems, LLC for 7 copiers. The lease agreement requires thirty-six monthly payments of \$1,657 beginning in fiscal year 2018.

Janitorial Service Contract

On March 8, 2017, the Board of Education entered into a three year agreement with GCA Education Services, Central States, Inc. to provide janitorial services to the District. The agreement requires thirty-six monthly payments of \$27,614 starting July 1, 2017. In the second and third year of the agreement, the agreement contract price will increase by the greater of (a) two percent, or (b) a percentage equal to the percentage increase in the Consumer Price Index for All Urban Consumers (CPI-U) during the twelve month period immediately prior to the first day of the then current annual period, however, that the percentage of increase in the contract price determined under this contract shall never exceed five percent in any twelve month period.

Transportation Agreement

During the fiscal year ended June 30, 2016, the Board of Education agreed to a three year agreement with Lincoln-Way Community High School District 210 for transportation services. Beginning on August 15, 2016, the agreement calls for payments of \$60,554 by Manhattan School District 114 every calendar month of each school term during the agreement. Annually, the actual transportation service expenditures incurred by Lincoln-Way Community High School District 210 related to the agreement are compared to the amount paid by Manhattan School District 114 under the agreement and the difference is paid by or refunded to Manhattan School District 114.

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 13 – Continued

Food Management Services Contract

On June 13, 2018, the Board of Education approved to enter into a contract with Preferred Meal Systems for food management services. The contract cost is \$187,090 for the fiscal year ended June 30, 2019.

Chiller Replacements

In February 2018, the District entered into an agreement to replace the chillers at Anna McDonald School and Manhattan Junior High School. The cost of the replacement is \$303,400 to be paid from the Operations & Maintenance Fund. As of June 30, 2018, the District has expended \$26,400 on the replacements.

Note 14 - Prior Period Adjustment

The Statement of Activities includes a prior period adjustment to net position of \$5,459,260. The adjustment was necessary in order for the District's government-wide financial statements to be presented in accordance with the modified cash basis of accounting. The prior period adjustment consisted of the following items:

Remove Unamortized Loss on Bond Refunding on the June 30, 2017 Financial Statements	(\$303,922)
Remove Bond Issuance Premium on the June 30, 2017 Financial Statements	<u>\$5,763,182</u>
Total Prior Period Adjustment	<u>\$5,459,260</u>

Note 15 – Subsequent Events

Management evaluated subsequent events through November 12, 2018, the date which the financial statements were available to be issued, and noted the following item that met the criteria for disclosure:

Chiller Replacements

In September 2018, the District was required to pay an additional \$138,350 over the bid price accepted during the year ended June 30, 2018 for the chiller replacement project disclosed in Note 13.

Other Information

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2018

	Original (Final) Budget	Actual	Variance with Final Budget Over (Under)
Revenues Received:			
Local Sources:			
Property Taxes	\$ 9,286,483	\$ 10,112,252	\$ 825,769
Replacement Taxes	95,000	120,325	25,325
Investment Income	6,400	20,069	13,669
Food Services	106,500	91,373	(15,127)
District/School Activity Income	20,500	37,365	16,865
Textbook Rentals	175,000	176,109	1,109
Rentals	13,000	34,774	21,774
Impact Fees from Municipal or County Governments	40,000	78,501	38,501
Refund of Prior Years' Expenditures	5,000	350	(4,650)
Other Local Sources	61,000	25,784	(35,216)
Total Local Sources	\$ 9,808,883	\$ 10,696,902	\$ 888,019
State Sources	3,623,216	3,678,909	55,693
Federal Sources	432,130	410,349	(21,781)
Total Revenues Received	\$ 13,864,229	\$ 14,786,160	\$ 921,931
Expenditures Disbursed:			
Current:			
Instruction	\$ 6,340,479	\$ 6,116,445	\$ (224,034)
Support Services	3,871,077	3,530,643	(340,434)
Community Services	33,000	21,723	(11,277)
Nonprogramming Charges	1,750,834	1,881,205	130,371
Capital Outlay	27,500	103,475	75,975
Total Expenditures Disbursed	\$ 12,022,890	\$ 11,653,491	\$ (369,399)
Net Change in Fund Balance before Other Financing Sources (Uses)	\$ 1,841,339	\$ 3,132,669	\$ 1,291,330
Other Financing Sources (Uses):			
Principal on Bonds Sold	--	39,182	39,182
Transfer Out	(1,859,148)	(1,505,694)	353,454
Total Other Financing Sources (Uses):	(1,859,148)	(1,466,512)	392,636
Net Change in Fund Balance	\$ (17,809)	\$ 1,666,157	\$ 1,683,966
Fund Balance, Beginning		7,598,770	
Fund Balance, Ending		\$ 9,264,927	

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

MANHATTAN SCHOOL DISTRICT 114
 MANHATTAN, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 DEBT SERVICES FUND
 FISCAL YEAR ENDED JUNE 30, 2018

	Original (Final) Budget	Actual	Variance with Final Budget Over (Under)
Revenues Received:			
Property Taxes	\$ 384,936	\$ 467,035	\$ 82,099
Expenditures Disbursed:			
Debt Services:			
Principal	\$ 833,418	\$ 687,925	(145,493)
Interest	1,330,000	1,088,422	(241,578)
Other	--	550	550
Total Expenditures Disbursed	\$ 2,163,418	\$ 1,776,897	\$ (386,521)
Net Change in Fund Balance before Other Financing Sources (Uses)	\$ (1,778,482)	\$ (1,309,862)	\$ 468,620
Other Financing Sources (Uses):			
Principal on Bonds Sold	\$ --	\$ 5,055,000	\$ 5,055,000
Premium on Bonds Sold	--	109,491	109,491
Deposits into Escrow for Debt Service Defeasement /Cost of Bond Issuance	--	(5,164,491)	(5,164,491)
Transfer In	1,859,148	1,505,694	(353,454)
Total Other Financing Sources (Uses):	\$ 1,859,148	\$ 1,505,694	\$ (353,454)
Net Change in Fund Balance	\$ 80,666	\$ 195,832	\$ 115,166
Fund Balance, Beginning	--	--	--
Fund Balance, Ending	\$ 195,832	\$ 195,832	\$ 195,832

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

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
TRANSPORTATION FUND
FISCAL YEAR ENDED JUNE 30, 2018

	Original (Final) Budget	Actual	Variance with Final Budget Over (Under)
Revenues Received:			
Local Sources:			
Property Taxes	\$ 342,254	\$ 379,474	\$ 37,220
Investment Income	500	910	410
Transportation Fees	6,000	2,975	(3,025)
Total Local Sources	\$ 348,754	\$ 383,359	\$ 34,605
State Sources	722,263	659,820	(62,443)
Total Revenues Received	\$ 1,071,017	\$ 1,043,179	\$ (27,838)
Expenditures Disbursed:			
Current:			
Support Services	\$ 27,305	\$ 27,085	\$ (220)
Nonprogrammed Charges	1,075,000	1,063,831	(11,169)
Total Expenditures Disbursed	\$ 1,102,305	\$ 1,090,916	(11,389)
Net Change in Fund Balance	\$ (31,288)	\$ (47,737)	\$ (16,449)
Fund Balance, Beginning		776,946	
Fund Balance, Ending		\$ 729,209	

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

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
IMRF/SOCIAL SECURITY FUND
FISCAL YEAR ENDED JUNE 30, 2018

	Original (Final) Budget	Actual	Variance with Final Budget Over (Under)
Revenues Received:			
Local Sources:			
Property Taxes	\$ 244,467	\$ 251,917	\$ 7,450
Replacement Taxes	5,000	5,000	--
Investment Income	100	434	334
Total Revenues Received	\$ 249,567	\$ 257,351	\$ 7,784
Expenditures Disbursed:			
Current:			
Instruction	\$ 182,175	\$ 168,268	\$ (13,907)
Support Services	121,603	124,325	2,722
Total Expenditures Disbursed	\$ 303,778	\$ 292,593	\$ (11,185)
Net Change in Fund Balance	\$ (54,211)	\$ (35,242)	\$ 18,969
Fund Balance, Beginning		292,011	
Fund Balance, Ending	\$	256,769	

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

Supplementary Information

MANHATTAN SCHOOL DISTRICT 114
 MANHATTAN, ILLINOIS
 GENERAL FUND

COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - MODIFIED CASH BASIS
 JUNE 30, 2018

	Educational Fund	Operations and Maintenance Fund	Working Cash Fund	Tort Fund	Total
Assets:					
Cash and Cash Equivalents	\$ 2,515,538	\$ 535,838	\$ 242,844	\$ 69,027	\$ 3,363,247
Certificates of Deposit	1,960,000	2,077,163	1,751,697	100,000	5,888,860
Due from Flexible Spending Account	12,820	--	--	--	12,820
Total Assets	\$ 4,488,358	\$ 2,613,001	\$ 1,994,541	\$ 169,027	\$ 9,264,927
Liabilities:	\$ --	\$ --	\$ --	\$ --	\$ --
Fund Balance:					
Restricted	\$ --	\$ 1,143,224	\$ --	\$ 169,027	\$ 1,312,251
Committed	565,785	277,000	--	--	842,785
Unassigned	3,922,573	1,192,777	1,994,541	--	7,109,891
Total Fund Balance	\$ 4,488,358	\$ 2,613,001	\$ 1,994,541	\$ 169,027	\$ 9,264,927

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

MANHATTAN SCHOOL DISTRICT 114
 MANHATTAN, ILLINOIS
 GENERAL FUND

COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED AND CHANGES IN FUND BALANCES -MODIFIED CASH BASIS
 FISCAL YEAR ENDED JUNE 30, 2018

	Educational Fund	Operations and Maintenance Fund	Working Cash Fund	Tort Fund	Total
Revenues Received:					
Local Sources:					
Property Taxes	\$ 8,586,844	\$ 1,300,412	\$ 120,964	\$ 104,032	\$ 10,112,252
Replacement Taxes	120,325	--	--	--	120,325
Investment Income	12,522	5,389	1,648	510	20,069
Food Services	91,373	--	--	--	91,373
District/School Activity Income	37,365	--	--	--	37,365
Textbook Rentals	176,109	--	--	--	176,109
Rentals	--	34,774	--	--	34,774
Impact Fees from Municipal or County Governments	--	78,501	--	--	78,501
Refund of Prior Years' Expenditures	350	--	--	--	350
Other Local Sources	25,670	114	--	--	25,784
Total Local Sources	\$ 9,050,558	\$ 1,419,190	\$ 122,612	\$ 104,542	\$ 10,696,902
State Sources	3,678,909	--	--	--	3,678,909
Federal Sources	410,349	--	--	--	410,349
Total Revenues Received	\$ 13,139,816	\$ 1,419,190	\$ 122,612	\$ 104,542	\$ 14,786,160
Expenditures Disbursed:					
Current:					
Instruction	\$ 6,116,445	--	--	--	\$ 6,116,445
Support Services	2,286,293	1,137,928	--	106,422	3,530,643
Community Services	21,723	--	--	--	21,723
Nonprogrammed Charges	1,838,272	42,933	--	--	1,881,205
Capital Outlay	42,243	61,232	--	--	103,475
Total Expenditures Disbursed	\$ 10,304,976	\$ 1,242,093	--	\$ 106,422	\$ 11,653,491
Net Change in Fund Balance before Other Financing Sources (Uses)	\$ 2,834,840	\$ 177,097	\$ 122,612	\$ (1,880)	\$ 3,132,669
Other Financing Sources (Uses):					
Principal on Bonds Sold	\$ 39,182	--	--	--	\$ 39,182
Transfers In	--	--	--	--	--
Transfer Out	(1,505,694)	--	--	--	(1,505,694)
Total Other Financing Sources (Uses)	\$ (1,466,512)	\$ --	\$ --	\$ --	\$ (1,466,512)
Net Change in Fund Balance	\$ 1,368,328	\$ 177,097	\$ 122,612	\$ (1,880)	\$ 1,666,157
Fund Balance, Beginning	3,120,030	2,435,904	1,871,929	170,907	7,598,770
Fund Balance, Ending	\$ 4,488,358	\$ 2,613,001	\$ 1,994,541	\$ 169,027	\$ 9,264,927

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

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
FIDUCIARY FUND TYPES
AGENCY FUNDS
STUDENT ACTIVITY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES- MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2018

	Balance July 1, 2017	Additions	Subtractions	Balance June 30, 2018
<u>ASSETS</u>				
Cash	\$ 88,023	\$ 144,520	\$ 179,844	\$ 52,699
Total Assets	\$ 88,023	\$ 144,520	\$ 179,844	\$ 52,699
<u>LIABILITIES</u>				
Amounts Due to Organizations:				
AMCD Bk Tech	\$ 14,030	\$ 23,993	\$ 30,764	\$ 7,259
AMCD Library	3,935	6,682	7,043	3,574
AMCD St. C.	1,703	857	2,099	461
ART	20,977	3,774	13,323	11,428
MJHS Bk. Tech	10,408	30,685	29,145	11,948
MJHS Award A	1,344	--	--	1,344
MJHS Library	190	4,999	4,935	254
MJHS School	1,138	2,774	2,308	1,604
MJHS St. C.	1,712	1,912	2,318	1,306
W CRK Bk Tech	6,124	28,512	31,384	3,252
W CRK Library	2,874	13,259	15,481	652
POP	1,504	--	--	1,504
GEN	19,250	18,520	26,701	11,069
ONE	1,918	--	--	1,918
Drama	6	50	70	(14)
Athletics	910	8,503	14,273	(4,860)
Total Liabilities	\$ 88,023	\$ 144,520	\$ 179,844	\$ 52,699

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

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
COMBINING STATEMENT OF ASSETS AND LIABILITIES - MODIFIED CASH BASIS
TRUST FUNDS
JUNE 30, 2018

	<u>Flexible Spending Account</u>	<u>Kerry Medley Settlement Agreement</u>	<u>Kristine Medley Settlement Agreement</u>	<u>Totals</u>
Assets:				
Cash and Cash Equivalents	\$ 11,911	\$ --	\$ --	\$ 11,911
Liabilities:				
Due to District	\$ 12,820	\$ --	\$ --	\$ 12,820
Net Position:				
Net Position Held in Trust for Benefits	\$ (909)	\$ --	\$ --	\$ (909)
Net Position Held in Escrow for Students	--	--	--	--
Total Net Position	<u>\$ (909)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (909)</u>
Total Liabilities and Net Position	<u>\$ 11,911</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 11,911</u>

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

MANHATTAN SCHOOL DISTRICT 114
MANHATTAN, ILLINOIS
COMBINING STATEMENT OF CHANGE IN NET POSITION-MODIFIED CASH BASIS
TRUST FUNDS
JUNE 30, 2018

	Flexible Spending Account	Kerry Medley Settlement Agreement	Kristine Medley Settlement Agreement	Totals
Additions:				
District Contributions	\$ --	\$ 24	\$ 24	\$ 48
Employee Contributions	22,773	--	--	22,773
Total Additions	\$ 22,773	\$ 24	\$ 24	\$ 22,821
Deductions:				
Paid to Employees	\$ 22,073	\$ --	\$ --	\$ 22,073
Paid to Students	--	4,002	4,002	8,004
Total Deductions	\$ 22,073	\$ 4,002	\$ 4,002	\$ 30,077
Net Increase (Decrease) in Restricted Net Position	\$ 700	\$ (3,978)	\$ (3,978)	\$ (7,256)
Restricted Net Position, Beginning	(1,609)	3,978	3,978	6,347
Restricted Net Position, Ending	\$ (909)	\$ --	\$ --	\$ (909)

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

Schedule of Findings and Questioned Costs

Manhattan School District 114
56-099-1140-02
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2018- 001 2. THIS FINDING IS: New Repeat from Prior Year?
Year originally reported? 2016

3. Criteria or specific requirement

All interfund loans are required to be made, disclosed and repaid in accordance with the provisions of Sections 10-22.33, 20-4, and 20-5 of the School Code.

4. Condition

The Educational, Operations & Maintenance, Debt Services, and Tort Funds had overdrawn their share of cash from a commingled checking account during various months in the fiscal year, resulting in unauthorized interfund loans.

5. Context¹²

The unauthorized interfund loans occurred in the Educational, Operations & Maintenance, and Tort Funds in multiple months during the fiscal year and occurred in July 2017 in the Debt Services Fund.

6. Effect

The District was not in compliance with the provisions of Sections 10-22.33, 20-4, and 20-5 of the School Code.

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 response¹³

Management will implement the auditor's recommendation in fiscal year 2019.

¹¹ 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 2018 would be assigned a reference number of 2018-001, 2018-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.).

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

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

Manhattan School District 114
56-099-1140-02
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2018- 002 2. THIS FINDING IS: New Repeat from Prior Year?
Year originally reported? 2016

3. Criteria or specific requirement
Section 8-2 of the School Code (105 ILCS 5/8-2) requires each treasurer of a school district to be properly bonded. The penalty of the bond is required to be 25% of the amount of all bonds, notes, mortgages, moneys and effects of which the treasurer is to have custody.

4. Condition
The amount of the treasurer's bond was not adequate.

5. Context¹²
The treasurer's bond was not adequate during July, September, October, November, December and June of fiscal year 2018.

6. Effect
The District was not in compliance with Section 8-2 of the School Code.

7. Cause
The penalty of the treasurer's bond was not increased to cover the highest level of district assets.

8. Recommendation
Upon annual reviews, the treasurer's bond should be evaluated for adequacy and compliance with statutory requirements.

9. Management's response¹³
Management will implement the auditor's recommendation in fiscal year 2019.

¹¹ 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 2018 would be assigned a reference number of 2018-001, 2018-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.).

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

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

Manhattan School District 114
56-099-1140-02
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2018- 003 2. THIS FINDING IS: New Repeat from Prior Year?
Year originally reported? 2011

3. Criteria or specific requirement

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.

4. Condition

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

5. Context¹²

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.

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 of 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 using only the regulatory basis presentation.

9. Management's response¹³

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.

¹¹ 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 2018 would be assigned a reference number of 2018-001, 2018-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.).

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

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