

Quincy Public School District No. 172
Quincy, Illinois

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Education
Quincy Public School District No. 172
Quincy, IL

We have audited the accompanying financial statements of Quincy Public School District No. 172, which comprise the statement of assets and liabilities arising from cash transactions as of June 30, 2017, and the related statement of revenues received and expenditures disbursed, other sources (uses) and changes in fund balances (All Funds), statements of revenues received (All Funds), and statements of expenditures disbursed, budget to actual (All Funds), for the year then ended, and the related notes to the financial statements, which collectively comprise the Quincy Public School District No. 172'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 financial reporting provisions of the Illinois State Board of Education and with the cash basis of accounting described in Note 1; this includes determining that the financial reporting provisions of the Illinois State Board of Education and the cash basis of accounting are acceptable basis' for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by Quincy Public School District No. 172, on the basis of the financial reporting provisions of the Illinois State Board of Education, which practices differ from accounting principles generally accepted in the United States of America. Also, as described in Note 1, Quincy Public School District No. 172 prepares its financial statements on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Illinois State Board of Education.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Quincy Public School District No. 172, as of June 30, 2017, or the changes in its financial position for the year then ended.

Basis for Qualified Opinion

The District has omitted full disclosures required by Governmental Accounting Standards Board Statement 45, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The amount by which this disclosure would affect the financial statements is not reasonably determinable.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the omission described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets and liabilities arising from cash transactions of each fund of Quincy Public School District No. 172 as of June 30, 2017, and their respective revenues received and expenditures disbursed, and budgetary results of the expenditures disbursed for the year then ended, on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Quincy Public School District No. 172's basic financial statements. The information provided on pages 55 through 73 is presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The information provided on pages 55 through 67, Combining Schedule of Assets, Liabilities, Fund Balance and Other Credits Arising from Cash Transactions, Schedule of Changes in Net Assets Available for Benefits-Fiduciary Fund Type-Expendable Trust Fund for the Flexible Benefit Plan Fund and the Self-Funded Insurance Fund, Statement of Cash Receipts and Disbursements for the Activity Funds, Convenience Funds, and Scholarship Funds, Statement of Cash Receipts and Disbursements, Other Financing Sources (Uses) and Changes in Fund Balance for the Educational Fund, Operations and Maintenance Fund and Transportation Fund, Schedule of Equalized Assessed Valuations, Tax Levies, Rates, Extensions and Collections, and the Schedule of Expenditures of Federal Awards on pages 81 through 84 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, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedules of Multiyear information for the Teacher's Retirement System of the State of Illinois, the Illinois Municipal Retirement Fund and the Notes to Other Information on pages 68 through 73 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.

The 2016 comparative information shown in the Schedule of Expenditures of Federal Awards was subjected to auditing procedures applied by us and our report dated October 24, 2016, expressed an unmodified opinion that such information was fairly stated in all material respects in relation to the 2016 financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2017, on our consideration of Quincy Public School District No. 172's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Quincy Public School District No. 172's internal control over financial reporting and compliance.

Zumbahlen, Eytz, Sumatt, Footh & Flynn, Ltd.

Jacksonville IL
October 23, 2017

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS

June 30, 2017

	Educational	Operations and Maintenance	Debt Services
Current Assets			
Cash	\$ 3,228,351	\$ 461,490	\$ 987,829
Investments			
Other Receivables			
Interfund Receivables			
Total Current Assets	<u>3,228,351</u>	<u>461,490</u>	<u>987,829</u>
Capital Assets			
Land			
Building & Building Improvements			
Site Improvements & Infrastructure			
Capitalized Equipment			
Construction in Progress			
Amount Available in Debt Service Funds			
Amount to be Provided for Payment on Long-Term Debt			
Total Capital Assets	<u>0</u>	<u>0</u>	<u>0</u>
Current Liabilities			
Interfund Payables	2,750,000	500,000	
Intergovernmental Accounts Payable			
Other Payables			
Loans Payable			
Due to Activity Fund Organizations			
Total Current Liabilities	<u>2,750,000</u>	<u>500,000</u>	<u>0</u>
Long-Term Liabilities			
Long-Term Debt Payable			
Reserved Fund Balance	149,345		
Unreserved Fund Balance	329,006	(38,510)	987,829
Investments in General Fixed Assets			
Total Liabilities and Fund Balance	<u>\$ 3,228,351</u>	<u>\$ 461,490</u>	<u>\$ 987,829</u>

Transpor- tation	Municipal Retirement/ Social Security	Capital Projects	Working Cash	Tort	Fire Prevention and Safety
\$ 575,549	\$ 2,229,235 1,364,195	\$ 36,008,481	\$ 474,446	\$ 3,507,463	\$ 740,507 504,569
			4,000,000		
<u>575,549</u>	<u>3,593,430</u>	<u>36,008,481</u>	<u>4,474,446</u>	<u>3,507,463</u>	<u>1,245,076</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
750,000					
<u>750,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(174,451)	217,061 3,376,369	36,008,481	4,474,446	3,507,463	1,245,076
<u>\$ 575,549</u>	<u>\$ 3,593,430</u>	<u>\$ 36,008,481</u>	<u>\$ 4,474,446</u>	<u>\$ 3,507,463</u>	<u>\$ 1,245,076</u>

See accompanying notes to financial statements

Account Groups		
Agency Fund	General Fixed Assets	General Long-Term Debt
\$ 546,738	\$	\$
530,854		
<u>1,077,592</u>	<u>0</u>	<u>0</u>
	3,237,685	
	67,618,941	
	6,483,279	
	6,915,749	
	19,350,171	
		987,829
		<u>74,592,706</u>
<u>0</u>	<u>103,605,825</u>	<u>75,580,535</u>
<u>717,995</u>	<u>0</u>	<u>0</u>
<u>717,995</u>	<u>0</u>	<u>0</u>
		<u>75,580,535</u>
<u>359,597</u>	<u>103,605,825</u>	
\$ <u>1,077,592</u>	\$ <u>103,605,825</u>	\$ <u>75,580,535</u>

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED,
OTHER SOURCES (USES) AND CHANGES IN FUND BALANCE
ALL FUNDS

FOR THE YEAR ENDING JUNE 30, 2017

	Educational	Operations and Maintenance	Debt Services
RECEIPTS			
Local Sources	\$ 23,234,573	\$ 5,217,896	\$ 5,755,303
State Sources	16,127,413		
Federal Sources	8,539,441		
Total Direct Receipts	<u>47,901,427</u>	<u>5,217,896</u>	<u>5,755,303</u>
Receipts for "On Behalf of" Payments	<u>9,302,729</u>		
Total Receipts	<u>57,204,156</u>	<u>5,217,896</u>	<u>5,755,303</u>
DISBURSEMENTS			
Instruction	35,159,100		
Support Services	12,479,409	5,501,837	
Community Services	190,240		
Payments to Other Districts & Governmental Units	514,643		
Debt Service			7,253,288
Total Direct Disbursements	<u>48,343,392</u>	<u>5,501,837</u>	<u>7,253,288</u>
Disbursements for "On Behalf of" Payments	<u>9,302,729</u>		
Total Disbursements	<u>57,646,121</u>	<u>5,501,837</u>	<u>7,253,288</u>
Excess of Direct Receipts over (Under) Direct Disbursements	<u>(441,965)</u>	<u>(283,941)</u>	<u>(1,497,985)</u>
OTHER SOURCES (USES) OF FUNDS			
Abatement of Working Cash Fund	420,875		
Principal on Bonds Sold			748,484
Premium on Bonds Sold			1,299,558
Transfers to Capital Projects Fund			
Taxes transferred to pay for Capital Projects			
Sale or Compensation for Fixed Assets			
Total Other Sources (Uses) of Funds	<u>420,875</u>	<u>0</u>	<u>2,048,042</u>
Excess of Receipts and Other Sources of Funds (Over/Under) Disbursements and Other Uses of Funds	<u>(21,090)</u>	<u>(283,941)</u>	<u>550,057</u>
FUND BALANCES - July 1, 2016	<u>499,441</u>	<u>245,431</u>	<u>437,772</u>
FUND BALANCES - June 30, 2017	<u>\$ 478,351</u>	<u>\$ (38,510)</u>	<u>\$ 987,829</u>

Transpor- tation	Municipal Retirement/ Social Security	Capital Projects	Working Cash	Tort	Fire Prevention and Safety
\$ 2,001,268 1,356,454	\$ 3,436,094	\$ 250,911	\$ 440,199	\$ 2,141,936	\$ 428,085
<u>3,357,722</u>	<u>3,436,094</u>	<u>250,911</u>	<u>440,199</u>	<u>2,141,936</u>	<u>428,085</u>
<u>3,357,722</u>	<u>3,436,094</u>	<u>250,911</u>	<u>440,199</u>	<u>2,141,936</u>	<u>428,085</u>
3,653,222	1,239,181 1,973,970 12,266	22,355,573		1,915,438	40,888
<u>3,653,222</u>	<u>3,225,417</u>	<u>22,355,573</u>	<u>0</u>	<u>1,915,438</u>	<u>40,888</u>
<u>3,653,222</u>	<u>3,225,417</u>	<u>22,355,573</u>	<u>0</u>	<u>1,915,438</u>	<u>40,888</u>
<u>(295,500)</u>	<u>210,677</u>	<u>(22,104,662)</u>	<u>440,199</u>	<u>226,498</u>	<u>387,197</u>
		51,261,516 1,630,574	(420,875)		
		<u>599,312</u>			
<u>0</u>	<u>0</u>	<u>53,491,402</u>	<u>(420,875)</u>	<u>0</u>	<u>0</u>
(295,500)	210,677	31,386,740	19,324	226,498	387,197
<u>121,049</u>	<u>3,382,753</u>	<u>4,621,741</u>	<u>4,455,122</u>	<u>3,280,965</u>	<u>857,879</u>
\$ <u>(174,451)</u>	\$ <u>3,593,430</u>	\$ <u>36,008,481</u>	\$ <u>4,474,446</u>	\$ <u>3,507,463</u>	\$ <u>1,245,076</u>

See accompanying notes to financial statements

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

STATEMENT OF REVENUES RECEIVED
FOR THE YEAR ENDING JUNE 30, 2017

	Educational	Operations and Maintenance	Debt Services
Receipts from Local Sources			
Ad Valorem Taxes Levied By Local Education Agency			
Designated Purposes Levies	\$ 15,488,242	\$ 4,208,743	\$ 5,735,780
Leasing Purposes Levy	252,525	168,350	
Special Education Purposes Levy	336,699		
Fica/Medicare Only Purposes Levy			
Payments in Lieu of Taxes			
Mobile Home Privilege Tax	18,752	4,858	6,621
Payments from Local Housing Authorities	10,711	2,916	3,821
Corporate Personal Property Replacement Taxes	4,451,345	678,608	
Tuition			
Summer School Tuition from Pupils or Parents	32,010		
Special Education Tuition from Other Districts (In State)	183,685		
Adult Tuition from Other Sources (In State)	6,600		
Transportation Fees			
Regular Transp Fees from Other Sources (In State)			
Regular Transp Fees from Co-curricular Activities (In State)			
Earnings on Investments			
Interest on Investments	33,930	7,941	9,081
Food Service			
Sales to Pupils - Lunch	558,610		
Sales to Pupils - Breakfast	51,188		
Sales to Pupils - A la Carte	404,479		
Sales to Pupils - Other			
Sales to Adults	52,418		
Other Food Services			
District/School Activity Income			
Admissions - Athletic	185,383		
Admissions - Other	92,000		
Fees			
Other District/School Activity Revenue	25,221		
Textbook Income			
Rentals - Regular Textbooks	204,803		
Other Revenue from Local Sources			
Rentals	3,814	38,037	
Contributions and Donations from Private Sources	579,689		
Services Provided Other Districts	627		
Refund of Prior Years' Expenditures			
Drivers' Education Fees	46,492		
Other Local Fees	480		
Other Local Revenues	214,870	108,443	
Total Receipts from Local Sources	<u>23,234,573</u>	<u>5,217,896</u>	<u>5,755,303</u>
Receipts from State Sources			
Unrestricted Grants-In-Aid			
General State Aid	12,624,845		
Other Unrestricted Grants-In-Aid	390,190		

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

STATEMENT OF REVENUES RECEIVED
FOR THE YEAR ENDING JUNE 30, 2017

	Educational	Operations and Maintenance	Debt Services
Receipts from State Sources-continued			
Restricted Grants-In-Aid			
Special Education-Private Facility Tuition	\$ 738,545	\$	\$
Special Education-Funding for Children Requiring Special Education Services	661,238		
Special Education-Personnel	1,025,829		
Special Education-Orphanage-Individual	194,326		
Special Education-Orphanage-Summer Individual			
Special Education-Summer School			
State Free Lunch and Breakfast	11,283		
School Breakfast Initiative			
Driver Education	50,326		
Adult Ed (from ICCB)			
Adult Ed-Other			
Transportation-Regular/Vocational			
Transportation-Special Education			
Learning Improvement-Change Grants			
Truant Alternative/Optional Education	11,576		
Early Childhood-Block Grant	313,898		
Reading Improvement Block Grant			
School Infrastructure-Maintenance Projects			
Other Restricted Revenue from State Sources	<u>105,357</u>	<u> </u>	<u> </u>
Total Receipts from State Sources	<u>16,127,413</u>	<u>0</u>	<u>0</u>
Receipts from Federal Sources			
Restricted Grants-In-Aid Received Directly from Federal Govt.			
Head Start	1,939,278		
Restricted Grants-In-Aid Received from Federal Govt. thru the State			
Title V-Innovation & Flexibility Formula			
National School Lunch Program	1,910,470		
School Breakfast Program	571,500		
Summer Food Service Program	61,529		
Fresh Fruits and Vegetables			
Food Service - Other			
Title I-Low Income	2,155,690		
Title I-Low Income-Neglected, Private	57,488		
Title I-Other	65,257		
Title IV-Safe & Drug Free Schools-Formula			
Title IV-21st Century Comm Learning Centers	237,673		
Fed-Spec Education-Preschool Flow-Through	142,529		
Federal-Special Education-IDEA-Flow Through	430,469		
Federal-Special Education-IDEA-Room & Board	103,545		
ARRA - Title I - Low Income			
ARRA - Title I - Neglected, Private			
ARRA - Title I - Delinquent, Private			
ARRA - IDEA - Part B - Preschool			

Transportation	Municipal Retirement/ Social Security	Capital Projects	Working Cash	Tort	Fire Prevention and Safety
\$	\$	\$	\$	\$	\$
525,252					
572,122					
109,080					
<u>1,356,454</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

See accompanying notes to financial statements

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

STATEMENT OF REVENUES RECEIVED
FOR THE YEAR ENDING JUNE 30, 2017

	Educational	Operations and Maintenance	Debt Services
Receipts from Federal Sources-continued			
Restricted Grants-In-Aid Received from Federal Govt. thru the State-continued			
ARRA - IDEA - Part B - Flow-Through	\$	\$	\$
Other ARRA Funds XI			
Qualified Zone Academy Bond Tax Credits			
Title II-Teacher Quality	35,769		
Medicaid Matching Funds - Administrative Outreach	139,339		
Medicaid Matching Funds - Fee-for-Service Program	523,394		
Other Restricted Revenue from Federal Sources	<u>165,511</u>		
Total Receipts from Federal Sources	<u>8,539,441</u>	<u>0</u>	<u>0</u>
Total Direct Receipts	<u>\$ 47,901,427</u>	<u>\$ 5,217,896</u>	<u>\$ 5,755,303</u>

Transportation	Municipal Retirement/ Social Security	Capital Projects	Working Cash	Tort	Fire Prevention and Safety
\$	\$	\$	\$	\$	\$
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
\$ <u>3,357,722</u>	\$ <u>3,436,094</u>	\$ <u>250,911</u>	\$ <u>440,199</u>	\$ <u>2,141,936</u>	\$ <u>428,085</u>

See accompanying notes to financial statements

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

STATEMENT OF EXPENDITURES DISBURSED, BUDGET TO ACTUAL
FOR THE YEAR ENDING JUNE 30, 2017

EDUCATIONAL FUND	Salaries	Employee Benefits	Purchased Services
Instruction			
Regular Programs	\$ 15,363,403	\$ 2,697,702	\$ 113,278
Tuition Payment to Charter Schools			
Pre-K Programs	333,350	84,614	4,008
Special Education Programs	7,574,409	2,139,348	78,645
Special Education Programs-Pre-K	78,523	30,786	
Remedial and Supplemental Programs K-12	846,693	487,381	145,412
Adult/Continuing Education Programs	1,920	37	
CTE Programs			
Interscholastic Programs	379,644	3,558	270,231
Summer School Program	94,833	4,089	
Gifted Programs			
Driver's Education Programs	114,298	20,515	11,331
Bilingual Programs	26,928		
Truant Alternative & Optional Programs	41,340	4,143	594
Special Education Programs K-12 - Private Tuition			
Total Instruction	<u>24,855,341</u>	<u>5,472,173</u>	<u>623,499</u>
Support Services			
Support Services-Pupils			
Attendance and Social Work Services	487,157	125,373	825
Guidance Services	700,390	174,777	36,315
Health Services	602,403	171,797	13,184
Psychological Services			
Speech Pathology & Audiology Services	80,442	18,491	
Other Support Services - Pupils	80,468	4	548
Support Services-Instructional Staff			
Improvement of Instruction Services	742,381	235,836	475,087
Educational Media Services	132,041	36,978	472
Assessment & Testing			71,687
Support Services-General Administration			
Board of Education Services	2,619	25,290	214,898
Executive Administration Services	103,645	9,359	434
Special Area Administrative Services	99,410	7,222	1,100
Tort Immunity Services			
Support Services-School Administration			
Office of the Principal Services	2,434,926	408,070	50,247
Other Support Services - School Admin		66	

Supplies and Materials	Capital Outlay	Other Objects	Non- Capitalized Equipment	Total	Budget
\$ 619,614	\$ 63,531	\$ 10,190	\$	\$ 18,867,718	\$ 15,494,355
				0	6,350
20,357				442,329	4,459,098
97,237	1,525	11,426		9,902,590	9,758,031
				109,309	108,233
7,851	228,893			1,716,230	1,748,672
				1,957	16,738
	3,000			3,000	
489,012	5,482	23,363		1,171,290	1,250,627
				98,922	101,096
				0	
4,244				150,388	160,416
				26,928	30,345
				46,077	2,050,674
<u>1,238,315</u>	<u>302,431</u>	<u>2,622,362</u> <u>2,667,341</u>	<u>0</u>	<u>2,622,362</u> <u>35,159,100</u>	<u>35,184,635</u>
2,619				615,974	563,259
3,138				914,620	941,144
21,564		375	36,028	845,351	894,729
				0	0
				98,933	99,740
12,660				93,680	92,988
333,753	11,698	3,075		1,801,830	1,701,854
30,054	7,888	10,915		218,348	210,109
				71,687	146,494
10,860		13,493		267,160	324,931
2,100		7,454		122,992	264,033
				107,732	113,158
34,883		1,208		2,929,334	2,778,124
588				654	1,000

See accompanying notes to financial statements

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

STATEMENT OF EXPENDITURES DISBURSED, BUDGET TO ACTUAL
FOR THE YEAR ENDING JUNE 30, 2017

EDUCATIONAL FUND (Continued)	Salaries	Employee Benefits	Purchased Services
Support Services-Business			
Direction of Business Support Services	\$ 103,998	\$ 10,644	\$ 1,466
Fiscal Services	183,010	36,677	32,242
Operation and Maintenance of Plant Services			11,727
Pupil Transportation Services	6,677	622	14,809
Food Services	1,227,211	416,716	10,332
Internal Services			65,170
Support Services-Central			
Direction of Central Support Services	89,115	7,157	46,977
Planning, Research, Development, & Evaluation Services	77,000	38,120	8,835
Information Services	24,498	3,709	
Staff Services	227,728	29,761	6,721
Data Processing Services	156,903	42,124	180
Other Support Services	18,000	7,283	
Total Support Services	<u>7,580,022</u>	<u>1,806,076</u>	<u>1,063,256</u>
Community Services	<u>148,898</u>	<u>26,062</u>	<u>5,307</u>
Payments to Other Districts & Govt Units			
Payments to Other Govt. Units (In-State)			
Payments for Regular Programs			
Payments for Special Education Programs			
Payments for CTE Programs			
Payments to Other Govt. Units-Tuition (In-State)			
Payments for Special Education Programs-Tuition			
Payments for CTE Programs - Tuition			
Total Payments to Other Districts & Govt. Units	<u>0</u>	<u>0</u>	<u>0</u>
Debt Services			
Debt Services - Interest on Short-Term Debt			
Tax Anticipation Warrants			
Other Interest on Short-Term Debt			
Total Debt Services	<u>0</u>	<u>0</u>	<u>0</u>
Total Direct Disbursements	<u>\$ 32,584,261</u>	<u>\$ 7,304,311</u>	<u>\$ 1,692,062</u>
Excess (Deficiency) of Receipts over Disbursements			

Supplies and Materials	Capital Outlay	Other Objects	Non- Capitalized Equipment	Total	Budget
\$ 131 9,902	\$	\$ 1,531 825	\$	\$ 117,770 262,656	\$ 131,433 264,393
9,239				11,727	14,800
1,413,199	3,313	488 13,554		31,347 3,071,259	49,793 3,255,210
				78,724	62,965
3,470		3,359		150,078	148,334
				123,955	147,429
10,691		15,014		28,207	25,011
219		180		289,915	308,942
587				199,606	200,513
				25,870	36,743
<u>1,899,657</u>	<u>22,899</u>	<u>71,471</u>	<u>36,028</u>	<u>12,479,409</u>	<u>12,777,129</u>
<u>9,973</u>				<u>190,240</u>	<u>331,572</u>
				0	
				0	150,000
				0	
				0	
		514,643		514,643	500,000
0	0	514,643	0	514,643	650,000
				0	
				0	
0	0	0	0	0	0
<u>\$ 3,147,945</u>	<u>\$ 325,330</u>	<u>\$ 3,253,455</u>	<u>\$ 36,028</u>	<u>\$ 48,343,392</u>	<u>\$ 48,943,336</u>
				<u>\$ (441,965)</u>	

See accompanying notes to financial statements

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

STATEMENT OF EXPENDITURES DISBURSED, BUDGET TO ACTUAL
FOR THE YEAR ENDING JUNE 30, 2017

OPERATIONS AND MAINTENANCE FUND	Salaries	Employee Benefits	Purchased Services
Support Services			
Support Services-Pupils			
Other Support Services	\$	\$	\$
Support Services-Business			
Facilities Acquisition and			
Construction Services			33,127
Operation and Maintenance			
of Plant Services	<u>2,698,297</u>	<u>521,292</u>	<u>1,686,480</u>
Total Support Services	<u>2,698,297</u>	<u>521,292</u>	<u>1,719,607</u>
Total Direct Disbursements	\$ <u>2,698,297</u>	\$ <u>521,292</u>	\$ <u>1,719,607</u>
Excess (Deficiency) of Receipts over Disbursements			

Supplies and Materials	Capital Outlay	Other Objects	Non- Capitalized Equipment	Total	Budget
\$	\$	\$	\$	\$	\$
				33,127	33,000
<u>541,094</u>	<u>20,858</u>	<u>689</u>	<u></u>	<u>5,468,710</u>	<u>5,683,397</u>
<u>541,094</u>	<u>20,858</u>	<u>689</u>	<u>0</u>	<u>5,501,837</u>	<u>5,716,397</u>
\$ <u><u>541,094</u></u>	\$ <u><u>20,858</u></u>	\$ <u><u>689</u></u>	\$ <u><u>0</u></u>	\$ <u><u>5,501,837</u></u>	\$ <u><u>5,716,397</u></u>
				\$ <u><u>(283,941)</u></u>	

See accompanying notes to financial statements

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

STATEMENT OF EXPENDITURES DISBURSED, BUDGET TO ACTUAL
FOR THE YEAR ENDING JUNE 30, 2017

DEBT SERVICES FUND	Other Objects	Budget
Debt Services		
Debt Services-Interest on Long-Term Debt	\$ 1,712,434	\$ 1,712,385
Debt Services-Payments of Principal on Long-Term Debt	4,670,000	4,670,000
Debt Services-Other	<u>870,854</u>	<u>345,100</u>
Total Disbursements	\$ <u>7,253,288</u>	\$ <u>6,727,485</u>
Excess (Deficiency) of Receipts over Disbursements	\$ <u>(1,497,985)</u>	

See accompanying notes to financial statements

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

STATEMENT OF EXPENDITURES DISBURSED, BUDGET TO ACTUAL
FOR THE YEAR ENDING JUNE 30, 2017

TRANSPORTATION FUND	Salaries	Employee Benefits	Purchased Services
Support Services			
Support Services-Business			
Pupil Transportation Services	\$ 1,877,915	\$ 488,056	\$ 919,892
Other Support Services			<u>17,150</u>
Total Support Services	<u>1,877,915</u>	<u>488,056</u>	<u>937,042</u>
Total Disbursements	<u>\$ 1,877,915</u>	<u>\$ 488,056</u>	<u>\$ 937,042</u>
Excess (Deficiency) of Receipts over Disbursements			

Supplies and Materials	Capital Outlay	Other Objects	Non- Capitalized Equipment	Total	Budget
\$ 350,014	\$	\$ 195	\$	\$ 3,636,072 17,150	\$ 3,820,962 45,419
<u>350,014</u>	<u>0</u>	<u>195</u>	<u>0</u>	<u>3,653,222</u>	<u>3,866,381</u>
<u>\$ 350,014</u>	<u>\$ 0</u>	<u>\$ 195</u>	<u>\$ 0</u>	<u>\$ 3,653,222</u>	<u>\$ 3,866,381</u>
				\$ <u>(295,500)</u>	

See accompanying notes to financial statements

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

STATEMENT OF EXPENDITURES DISBURSED, BUDGET TO ACTUAL
FOR THE YEAR ENDING JUNE 30, 2017

MUNICIPAL RETIREMENT/ SOCIAL SECURITY FUND	Employee Benefits	Budget
Instruction		
Regular Programs	\$ 511,507	\$ 643,015
Pre-K Programs	26,815	109,594
Special Education Programs	613,459	1,022,758
Special Education Programs - Pre-K	13,899	37,030
Remedial and Supplemental Programs - K-12	16,032	33,798
Adult/Continuing Education Programs	28	27
CTE Programs	9,932	7,441
Interscholastic Programs	31,695	39,864
Summer School Programs	9,002	12,646
Driver's Education Programs	1,602	1,685
Bilingual Programs	418	377
Truants' Alternative & Optional Programs	4,792	9,584
	<hr/>	<hr/>
Total Instruction	1,239,181	1,917,819
Support Services		
Support Services-Pupils		
Attendance and Social Work Services	29,019	52,516
Guidance Services	27,571	25,274
Health Services	120,295	158,446
Psychological Services	7,956	6,350
Speech Pathology & Audiology Services	1,110	711
Other Support Services - Pupils	6,182	6,320
Support Services-Instructional Staff		
Improvement of Instruction Services	77,505	88,052
Educational Media Services	18,438	17,852
Assessment and Testing		8
Support Services-General Administration		
Board of Education Services	558	626
Executive Administration Services	5,788	3,290
Service Area Administrative Services	23,352	43,153
Support Services-School Administration		
Office of the Principal Services	203,267	203,307
Other Support Services-School Administration		
Support Services-Business		
Direction of Business Support Services	27,984	27,909
Fiscal Services	37,931	48,026
Facilities Acquisition & Construction Services	1,541	
Operation and Maintenance of		
Plant Services	696,082	700,247
Pupil Transportation Services	352,126	356,495
Food Services	230,344	226,425

See accompanying notes to financial statements

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

STATEMENT OF EXPENDITURES DISBURSED, BUDGET TO ACTUAL
FOR THE YEAR ENDING JUNE 30, 2017

MUNICIPAL RETIREMENT/ SOCIAL SECURITY FUND	Employee Benefits	Budget
Support Services-Central		
Direction of Central Support Services	\$ 19,207	\$ 28,338
Planning, Research, Development, & Evaluation Services	1,097	2,986
Information Services	5,219	3,258
Staff Services	48,342	42,718
Data Processing Services	32,804	23,028
Other Support Services	<u>252</u>	<u>495</u>
Total Support Services	<u>1,973,970</u>	<u>2,065,830</u>
Community Services	<u>12,266</u>	<u>20,845</u>
Provision for Contingencies	<u> </u>	<u> </u>
Total Disbursements	\$ <u><u>3,225,417</u></u>	\$ <u><u>4,004,494</u></u>
Excess (Deficiency) of Receipts over Disbursements	\$ <u><u>210,677</u></u>	

See accompanying notes to financial statements

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

STATEMENT OF EXPENDITURES DISBURSED, BUDGET TO ACTUAL
FOR THE YEAR ENDING JUNE 30, 2017

CAPITAL PROJECTS FUND	Salaries	Purchased Services
Support Services		
Support Services-Business		
Facilities Acquisition and Construction Services	\$ 37,020	\$ 55
Other Support Services		
Total Support Services	<u>37,020</u>	<u>55</u>
Total Disbursements	<u>\$ 37,020</u>	<u>\$ 55</u>
Excess (Deficiency) of Receipts over Disbursements		

Supplies and Materials	Capital Outlay	Other Objects	Non- Capitalized Equipment	Total	Budget
\$	\$ 22,317,382	\$ 1,116	\$ 0	\$ 22,355,573 0	\$ 25,527,371
<u>0</u>	<u>22,317,382</u>	<u>1,116</u>	<u>0</u>	<u>22,355,573</u>	<u>25,527,371</u>
\$ <u>0</u>	\$ <u>22,317,382</u>	\$ <u>1,116</u>	\$ <u>0</u>	\$ <u>22,355,573</u>	\$ <u>25,527,371</u>
				\$ <u>(22,104,662)</u>	

See accompanying notes to financial statements

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

STATEMENT OF EXPENDITURES DISBURSED, BUDGET TO ACTUAL
FOR THE YEAR ENDING JUNE 30, 2017

TORT FUND	Salaries	Employee Benefits	Purchased Services
Support Services-General Administration			
Claims Paid from Self Insurance Fund	\$	\$	\$
Workers' Compensation or Workers'			
Occupation Disease Act Payments			275,463
Unemployment Insurance Payments			1,730
Insurance Payments (Regular or			
Self-Insurance)			249,175
Judgment and Settlements			
Educational, Inspectional, Supervisory			
Services Related to Loss Prevention			
or Reduction	<u>869,055</u>	<u>241,888</u>	<u>237,727</u>
Total Disbursements	\$ <u>869,055</u>	\$ <u>241,888</u>	\$ <u>764,095</u>
Excess (Deficiency) of Receipts over Disbursements			

Supplies and Materials	Capital Outlay	Other Objects	Total	Budget
\$	\$	\$	\$	\$
			275,463	418,000
			1,730	20,000
			249,175	40,000
		10,500	10,500	
<u>10,473</u>	<u>19,427</u>	<u></u>	<u>1,378,570</u>	<u>1,493,413</u>
\$ <u>10,473</u>	\$ <u>19,427</u>	\$ <u>10,500</u>	\$ <u>1,915,438</u>	\$ <u>1,971,413</u>
			\$ <u>226,498</u>	

See accompanying notes to financial statements

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

STATEMENT OF EXPENDITURES DISBURSED, BUDGET TO ACTUAL
FOR THE YEAR ENDING JUNE 30, 2017

FIRE PREVENTION AND SAFETY FUND	Purchased Services	Supplies & Materials	Capital Outlay
Support Services			
Support Services-Business			
Facilities Acquisition and			
Construction Services	\$ 40,888	\$	\$
Operation & Maintenance of			
Plant Services			
Total Support Services	<u>40,888</u>	<u>0</u>	<u>0</u>
Debt Services			
Debt Services-Interest on Long-Term Debt			
Debt Service-Payments of Principal on			
Long-Term Debt			
Total Debt Service	<u>0</u>	<u>0</u>	<u>0</u>
Total Disbursements	<u>\$ 40,888</u>	<u>\$ 0</u>	<u>\$ 0</u>
Excess (Deficiency) of Receipts over Disbursements			

Other Objects	Non- Capitalized Equipment	Total	Budget
\$	\$	\$ 40,888	\$ 420,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>40,888</u>	<u>420,000</u>
		0	
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 40,888</u>	<u>\$ 420,000</u>
		<u>\$ 387,197</u>	

See accompanying notes to financial statements

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The District's accounting policies conform to the cash basis of accounting as defined by the Illinois State Board of Education Audit Guide.

(a) Reporting 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's financial statements include the accounts of all District operations. The criteria for including organizations within the District's reporting entity, as set forth in GASB No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34", is financial accountability. A component unit is included in the District's reporting entity if it is both fiscally dependent on the District (the primary government) and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Certain joint agreements have been determined to be part of the reporting entity because the District exercises significant influence over the assets, operations, and management of the joint agreements. However, the joint agreements are required to be separately audited and reported to the Illinois State Board of Education. These financial statements therefore represent only the financial condition and operations of the primary government, Quincy Public School District No. 172.

The joint agreements consist of the Special Education Association of Adams County, the Quincy Area Vocational Technical Center, and the West Central Regional System, Education for Employment. The financial information for each of the joint agreements can be obtained from the District's administrative office located at 1416 Maine Street, Quincy, Illinois.

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and liabilities (arising from cash transactions), fund balance, revenue received and expenditures disbursed.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (con't)

(b) Basis of Presentation - Fund Accounting

The District maintains individual funds required by the State of Illinois. The various funds are summarized by type in the financial statements. These funds are grouped as required for reports filed with the Illinois State Board of Education. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The District uses the following funds and account groups:

Governmental Funds

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (arising from cash transactions) are accounted for through governmental funds.

The Educational Fund and the Operations and Maintenance Fund are the general operating funds of the District. They are used to account for all financial resources except those required to be accounted for in another fund. Special Education and Leasing tax levies are included in these funds.

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

The Transportation Fund and the Illinois Municipal Retirement/Social Security Fund are used to account for cash received from specific sources (other than those accounted for in the Debt Service Fund, Capital Project Funds or Fiduciary Funds) that are legally restricted to cash disbursements for these specified purposes.

The Capital Projects Fund is used to account for proceeds resulting from bond issues, receipts from other long term financing agreements, or other resources used to finance capital projects, capital leases, or lease purchase agreements.

The Working Cash Fund accounts for financial resources held by the District to be used for temporary interfund loans to other funds.

The Tort Fund is used to account for financial resources to be used for tort immunity and tort judgment purposes.

The Fire Prevention and Safety Fund is used to account for financial resources to be used for fire prevention, safety, energy conservation, or school security projects.

Fiduciary Funds

Fiduciary 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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (con't)

(b) Basis of Presentation - Fund Accounting (con't)

The Expendable Trust Fund (Flexible Benefit Plan Fund) is used to account for the District's flexible benefit plan.

The Expendable Trust Fund (Self-Insurance Fund) is used to account for the District's self-insured employee health plan.

The Agency Funds (Activity Funds) include Student Activity Funds which account for assets held by the District as an agent for the students, teachers and other entities. These funds are custodial in nature and do not involve the measurement of the results of operations. The amounts due to the activity fund organizations are equal to the assets.

Scholarship funds account for assets held by the District for the purpose of providing scholarships to District graduates. These funds are custodial in nature and do not involve the measurement of the results of operations. The amounts due to the scholarship fund organizations are equal to the assets.

Governmental and Expendable Trust Funds - Measurement Focus

The financial statements of all Governmental and Expendable Trust Funds focus on the measurement of spending or "financial flow" and the determination of changes in financial position rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets.

Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (cash receipts and other financing sources) and decreases (cash disbursements and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

General Fixed Assets and General Long-Term Debt Account Group

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. General fixed assets have been acquired for general governmental purposes. The District records purchases of property and equipment as expenditures of the various Funds when paid. The District maintains a detailed list of property and equipment purchased for insurance purposes.

The District does not maintain a formal capitalization policy; however, state and federal guidelines are followed, when applicable.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (con't)

(b) Basis of Presentation - Fund Accounting (con't)

The District uses the Direct Method in handling planned major maintenance. Expenses arising from planned major maintenance are expensed as they are incurred.

No depreciation has been provided on fixed assets in these financial statements. Depreciation accounting is not considered applicable (except to determine the per capita tuition charge). Depreciation is computed by the straight line method over the estimated useful lives as follows:

<i>Description</i>	<i>Years</i>
Land	Not Depreciated
Buildings	20-50
Improvements Other than Buildings	20
Capitalized Equipment	3-10

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. Proceeds from sales of bonds are included as receipts in the appropriate fund on the date received. Related principal payable in the future is recorded at the same time in the General Long-Term Debt Account Group.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

(c) Basis of Accounting

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the accounts and how they are reported on the financial statements. The District maintains its accounting records for all funds and account groups on the cash basis of accounting under guidelines prescribed by the Illinois State Board of Education. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.

Cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions. Proceeds from sales of bonds or financing agreements are included as other financing sources in the appropriate fund on the date received. Related bond principal and financing agreements payable in the future is recorded at the same time in the General Long-Term Debt Account Group.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (con't)

(d) Budgets and Budgeting Accounting

The budget for all Governmental Funds is prepared on the 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 Chapter 105, Section 5, Paragraph 17-1 of the Illinois Compiled Statutes. The original budget was passed on September 28, 2016 and was amended on June 28, 2017.

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

(e) Investments

Investment balances are stated at cost which approximates market. Assets of the different funds are sometimes co-mingled for investment purposes and interest earnings are prorated back to the various funds when recognized as revenue.

(f) Inventories

Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure disbursed at the time the individual inventory items are purchased.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (con't)

(g) Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Property Taxes

The District's property tax is levied each year on all taxable real property located within the District. The 2016 levy was passed by the board on December 21, 2016. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments in June and September.

The District receives significant distributions of tax receipts approximately one month after these due dates. Property taxes are collected and remitted to the District by Adams County. Taxes recorded in these financial statements are from the 2015 and prior tax levies.

Note 3. Changes in General Fixed Assets

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions*</i>	<i>Balance Ending</i>
Land	\$ 1,243,205	\$ 1,994,480	\$	\$ 3,237,685
Construction In Progress	13,451,705	15,151,715	9,253,249	19,350,171
Buildings	53,975,588	13,643,353		67,618,941
Improvements Other Than Buildings	8,512,149		2,028,870	6,483,279
10-Year Equipment	5,744,747	1,146,698		6,891,445
5-Year Equipment	24,304			24,304
Total General Fixed Assets	82,951,698	\$ 31,936,246	\$ 11,282,119	103,605,825
Accumulated Depreciation	35,399,476	\$ 2,142,402	\$ 2,028,870	35,513,008
Book Value	\$ 47,552,222			\$ 68,092,817

*To remove fully depreciated equipment and equipment traded, and to account for construction completed during the year ended June 30, 2017.

Note 4. Retirement Fund Commitments

The retirement fund commitments for Special Education Association of Adams County, Quincy Public School District No. 172, Quincy Vocational Technical Center and West Central Regional System, Education for Employment are not separable. The combined retirement fund commitment for these entities is disclosed below.

NOTES TO FINANCIAL STATEMENTS

Note 4. Retirement Fund Commitments (con't)

(a) Teachers' Retirement System of the State of Illinois

Plan description

The school district (employer) participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at <http://trsil.org/financial/financial-reports>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 678-3675, and selecting option 2.

Benefits Provided

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Retirement Fund Commitments (con't)

(a) Teachers' Retirement System of the State of Illinois (con't)

Contributions

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2016, was 9.4 percent of creditable earnings. On July 1, 2016, the rate dropped to 9.0 percent of pay due to the expiration of the Early Retirement Option (ERO). The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

On-behalf contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the employer. For the year ended June 30, 2017, under the cash basis of accounting, the District recognized revenue and expenditures of \$9,014,272 in pension contributions from the State of Illinois. Under generally accepted accounting principles (GAAP), state of Illinois contributions recognized by the employer are based on the State's proportionate share of the collective NPL associated with the employer, and the employer would have recognized revenue and expenditures of \$19,120,005 in pension contributions from the state of Illinois.

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, 2017 were \$149,379, which would have been included in expense. Under GAAP, \$149,379 would have been reported as deferred outflows of resources because they were paid after the June 30, 2016 measurement date.

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by the employer, there is a statutory requirement for the employer to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

NOTES TO FINANCIAL STATEMENTS

Note 4. Retirement Fund Commitments (con't)

(a) Teachers' Retirement System of the State of Illinois (con't)

For the year ended June 30, 2017, the employer pension contribution was 38.54 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2017, salaries totaling \$2,365,672 were paid from federal and special trust funds that required employer contributions of \$911,730, which have been included in expense. Under GAAP, \$911,730 would have been reported as deferred outflows of resources because they were paid after the June 30, 2016 measurement date.

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 employer is required to make a one-time contribution to TRS for members retiring under the ERO. The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the current 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, 2017, the employer paid \$0 to TRS for employer ERO contributions for retirements that occurred before July 1, 2016.

The employer 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, 2017, the employer paid \$8,094 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 allotment.

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

At June 30, 2017, the employer's proportionate share of the net pension liability was \$21,194,774, which reflected a reduction for state pension support provided to the employer. The state's support and total are for disclosure purposes only. These amounts have not been recognized in the employer's financial statements due to the use of the cash basis of accounting. The amounts that would have been recognized by the employer as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employer's proportionate share of the net pension liability	\$ 21,194,774
State's proportionate share of the net pension liability associated with the employer	194,692,652
Total	\$ 215,887,426

NOTES TO FINANCIAL STATEMENTS

Note 4. Retirement Fund Commitments (con't)

(a) Teachers' Retirement System of the State of Illinois (con't)

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, and rolled forward to June 30, 2016. The employer's proportion of the net pension liability was based on the employer's share of contributions to TRS for the measurement year ended June 30, 2016, relative to the projected contributions of all participating TRS employers and the state during that period. At June 30, 2016, the employer's proportion was 0.0269 percent, which was an increase of 0.0001 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the employer recognized pension expense of \$9,014,272 and revenue of \$9,014,272 for support provided by the State. Under generally accepted accounting principles, the employer would have reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2017:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 156,716	\$ 14,375
Net difference between projected and actual earnings on pension plan investments	598,790	0
Changes of assumptions	1,820,315	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	29,752	2,154,026
Employer contributions subsequent to the measurement date	1,061,109	0
Total	\$ 3,666,682	\$ 2,168,401

Under generally accepted accounting principles, \$1,061,109 would be reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date and would be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows in these reporting years:

NOTES TO FINANCIAL STATEMENTS

Note 4. Retirement Fund Commitments (con't)

(a) Teachers' Retirement System of the State of Illinois (con't)

Year ended June 30:	
2018	\$ (283,752)
2019	(283,752)
2020	294,267
2021	619,576
2022	90,833
Total	\$ 437,172

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	Varies by amount of service credit
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

For the June 30, 2016 valuation, the investment return assumption was lowered from 7.50 percent to 7.0 percent. Salary increase assumptions were lowered from their 2015 levels. Other assumptions were based on the 2015 experience analysis which increased retirement rates, improved mortality assumptions and made other changes.

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Retirement Fund Commitments (con't)

(a) Teachers' Retirement System of the State of Illinois (con't)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities large cap	14.4%	6.94%
U.S. equities small/mid cap	3.6	8.09
International equities developed	14.4	7.46
Emerging market equities	3.6	10.15
U.S. bonds core	10.7	2.44
International debt developed	5.3	1.70
Real Estate	15.0	5.44
Commodities (real return)	11.0	4.28
Hedge Fund (absolute return)	8.0	4.16
Private equity	14.0	10.63
Total	100%	

Discount Rate

At June 30, 2016, the discount rate used to measure the total pension liability was a blended rate of 6.83 percent, which was a change from the June 30, 2015 rate of 7.47 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position at June 30, 2016 was not projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I's liability is partially funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of service costs are also included in the determination of the discount rate. Despite the subsidy, all projected future payments were not covered, so a slightly lower long-term expected rate of return on TRS investments was applied to all periods of the projected benefit payments to determine total pension liability.

At June 30, 2015, the discount rate used to measure the total pension liability was 7.47 percent. The discount rate was lower than the actuarially-assumed rate of return on investments that year as well because TRS's fiduciary net position and the subsidy provided by Tier II were not sufficient to cover all projected benefit payments.

NOTES TO FINANCIAL STATEMENTS

Note 4. Retirement Fund Commitments (con't)

(a) Teachers' Retirement System of the State of Illinois (con't)

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net pension liability calculated using the discount rate of 6.83 percent, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.83 percent) or 1-percentage-point higher (7.83 percent) than the current rate.

	1% Decrease (5.83%)	Current Discount Rate (6.83%)	1% Increase (7.83%)
Employer's proportionate share of the net pension liability	\$ 25,922,070	\$ 21,194,774	\$ 17,333,828

TRS Fiduciary Net Position

Detailed information about the TRS's fiduciary net position as of June 30, 2016 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

THIS Fund Employer Contributions

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

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Retirement Fund Commitments (con't)

(a) Teachers' Retirement System of the State of Illinois (con't)

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 employer. State contributions are intended to match contributions to the THIS Fund from active members which were 1.12 percent of pay during the year ended June 30, 2017. State of Illinois contributions were \$288,457, and the employer recognized revenue and expenditures of this amount during the year.

Employer contributions to the THIS Fund. The employer also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.84 percent during the year ended June 30, 2017. For the year ended June 30, 2017, the employer paid \$216,343 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" (<http://www.auditor.illinois.gov/Audit-Reports/CMS-THISF.asp>). Prior reports are available under "Healthcare and Family Services" (<http://www.auditor.illinois.gov/Audit-Reports/HEALTHCARE-FAMILYSERVICES-Teacher-Health-Ins-SecFund.asp>).

(b) Illinois Municipal Retirement Fund

Plan Description

The District's defined benefit pension plan for Regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The District's plan is 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 below. 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.

NOTES TO FINANCIAL STATEMENTS

Note 4. Retirement Fund Commitments (con't)

(b) Illinois Municipal Retirement Fund (con't)

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). The District participates in the Regular Plan.

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

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

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

Employees Covered by Benefit Terms

As of December 31, 2016, the District's membership consisted of 487 retirees and beneficiaries currently receiving benefits, 309 inactive plan members entitled to but not yet receiving benefits, and 525 active plan members for a total of 1,321 plan members.

NOTES TO FINANCIAL STATEMENTS

Note 4. Retirement Fund Commitments (con't)

(b) Illinois Municipal Retirement Fund (con't)

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 2016 was 14.36%. For the fiscal year ended June 30, 2017, the District contributed \$1,874,738 to the plan. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The District's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are methods and assumptions used to determine total pension liability at December 31, 2016:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experienced-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.
- For **Non-disabled retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.

NOTES TO FINANCIAL STATEMENTS

Note 4. Retirement Fund Commitments (con't)

(b) Illinois Municipal Retirement Fund (con't)

- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	7.60%
International Equity	17%	7.80%
Fixed Income	27%	3.00%
Real Estate	8%	6.15%
Alternative Investments	9%	5.25-8.50%
Cash Equivalents	1%	2.25%
Total	100%	

Single Discount Rate

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

- The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and

NOTES TO FINANCIAL STATEMENTS

Note 4. Retirement Fund Commitments (con't)

(b) Illinois Municipal Retirement Fund (con't)

- The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.50%.

Changes in Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$ 74,880,525	\$ 62,589,028	\$ 12,291,497
Changes for the year:			
Service Cost	1,423,107		1,423,107
Interest on the Total Pension Liability	5,495,498		5,495,498
Changes of Benefit Terms			
Differences Between Expected and Actual Experience of the Total Pension Liability	(83,040)		(83,040)
Changes of Assumptions	(260,972)		(260,972)
Benefit Payments, including Refunds of Employee Contributions	(4,049,004)	(4,049,004)	0
Net Change in Total Pension Liability			
Contributions – Employer		1,878,128	(1,878,128)
Contributions – Employees		588,982	(588,982)
Net Investment Income		4,301,594	(4,301,594)
Other (Net Transfer)		253,669	(253,669)
Net Changes	2,525,589	2,973,369	(447,780)
Balances at December 31, 2016	\$ 77,406,114	\$ 65,562,397	\$ 11,843,717

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

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

NOTES TO FINANCIAL STATEMENTS

Note 4. Retirement Fund Commitments (con't)

(b) Illinois Municipal Retirement Fund (con't)

	1% Decrease (6.50%)	Current Single Discount Rate (7.50%)	1% Increase (8.50%)
Total Pension Liability	\$ 86,754,591	\$ 77,406,114	\$ 69,640,527
Plan Fiduciary Net Position	65,562,397	65,562,397	65,562,397
Net Pension Liability/(Asset)	\$ 21,192,194	\$ 11,843,717	\$ 4,078,130

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

At December 31, 2016, the District's total pension liability was \$77,406,114. The employer's fiduciary net position totaled \$65,562,397, which represents 84.70% of the total pension liability. As a result, the District's net pension liability amounts to \$11,843,717. The employer's net pension liability amounts to 90.56% of covered payroll. Pension liabilities have not been recognized in the employer's financial statements due to the use of the cash basis of accounting.

For the year ended June 30, 2017, the District recognized pension expense of \$1,874,738 as a result of actual cash contributions for the year ended June 30, 2017 under the cash basis of accounting. Under generally accepted accounting principles, the employer would have reported total pension expense of \$3,308,135 as detailed below.

Expense/(Income)	
Service Cost	\$ 1,423,107
Interest on the Total Pension Liability	5,495,498
Current-Period Benefit Changes	0
Employee Contributions	(588,982)
Projected Earnings on Plan Investments	(4,644,369)
Other Changes in Plan Fiduciary Net Position	(253,669)
Recognition of Outflow (Inflow) of Resources due to Liabilities	763,004
Recognition of Outflow (Inflow) of Resources due to Assets	1,113,546
Total	\$ 3,308,135

NOTES TO FINANCIAL STATEMENTS

Note 4. Retirement Fund Commitments (con't)

(b) Illinois Municipal Retirement Fund (con't)

Under generally accepted accounting principles, the employer would have reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2017:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	6,706	83,112
Net difference between projected and actual earnings on pension plan investments	3,240,411	
Changes of assumptions	519,817	186,392
Total Deferred Amounts to be recognized in pension expense in future periods	3,766,934	269,504
Employer contributions subsequent to the measurement date (December 31, 2016)	939,122	0
Total Deferred Amounts Related to Pensions	4,706,056	269,504

Under generally accepted accounting principles, \$939,122 would be reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date and would be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 1,513,412
2019	1,019,777
2020	895,686
2021	68,555
2022	0
Total	\$ 3,497,430

NOTES TO FINANCIAL STATEMENTS

Note 4. Retirement Fund Commitments (cont.)

Summary of All District Pension Related Amounts

		Deferred Inflows of Resources		Deferred Outflows of Resources		Net Pension Liability
TRS/THIS	\$	2,168,401	\$	3,666,682	\$	21,194,774
IMRF		269,504		4,706,056		11,843,717
Total	\$	2,437,905	\$	8,372,738	\$	33,038,491

Note 5. Fund Balance Reporting

According to Government Accounting Standards, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. The Regulatory Model, followed by the District, only reports Reserved and Unreserved Fund Balances. Below are definitions of the differences and a reconciliation of how these balances are reported.

A. Nonspendable Fund Balance

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

B. Restricted Fund Balance

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

1. Special Education

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

NOTES TO FINANCIAL STATEMENTS

Note 5. Fund Balance Reporting (con't)

B. Restricted Fund Balance (con't)

2. Leasing Levy

Cash disbursed and the related cash receipts of this restricted tax levy are accounted for in the Educational and Operations and Maintenance Funds. At June 30, 2017, revenue received in Educational Fund exceeded expenditures disbursed from the leasing levy, resulting in a restricted fund balance of \$61,828.

3. State Grants

Proceeds from state grants and the related expenditures have been included in the Educational, Transportation, and Fire & Safety Funds. Expenditures disbursed exceeded revenue received for this purpose, resulting in no restricted fund balance.

4. Federal Grants

Proceeds from federal grants and the related expenditures have been included in the Educational and Operations and Maintenance Funds. At June 30, 2017, revenue received exceeded expenditures disbursed from federal grants, resulting in a restricted fund balance of \$1,315. This balance is included in the financial statements as Reserved in the Educational Fund.

5. Donations

Cash receipts and the related disbursements of donations that have been restricted for a special purpose are included in the Educational Fund. At June 30, 2017, unspent receipts from donations for these special purposes resulted in a restricted balance of \$86,202. This balance is included in the financial statements as Reserved in the Educational Fund.

5. Social Security

Cash disbursed and the related cash receipts of this restricted tax levy are accounted for in the Municipal Retirement/Social Security Fund. Revenue received exceeded expenditures disbursed for this purpose, resulting in a restricted fund balance of \$217,061. This balance is included in the financial statements as Reserved in the Municipal Retirement/Social Security Fund.

6. Flexible Benefit Plan

A reserved fund balance of \$94,286 has been accumulated in the Flexible Benefit Plan Fund, which is recorded as an Expendable Trust Fund in these financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 5. Fund Balance Reporting (con't)

B. Restricted Fund Balance (con't)

7. Self-Insurance

A reserved fund balance of \$265,311 has been established for self-insurance costs for employee health benefits in the Self-Funded Insurance Fund, which is recorded as an Expendable Trust Fund in these financial statements.

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 School Board). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

The School Board 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.

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, 2017, the total amount of unpaid contracts for services performed during the fiscal year ended June 30, 2017 amounted to \$4,586,833. This amount is shown as Unreserved in the Educational 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 School Board itself or (b) the finance committee or by the Superintendent when the School Board has delegated the authority to assign amounts to be used for specific purposes. There is nothing to report for this classification.

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 General Funds. Unassigned Fund Balance amounts are shown in the financial statements as Unreserved Fund Balances in the Educational, Operations and Maintenance, and Working Cash Funds.

NOTES TO FINANCIAL STATEMENTS

Note 5. Fund Balance Reporting (con't)

F. Regulatory – Fund Balance Definitions

Reserved Fund Balances are those balances that are reserved for a specified purpose, other than the regular purpose of any given fund. Unreserved Fund Balances are all balances that are not reserved for a specific purpose other than the specified purpose of a fund.

G. Reconciliation of Fund Balance Reporting

The first five columns of the following table represent Fund Balance Reporting according to the use of the generally accepted accounting principles format. The last two columns represent Fund Balance Reporting under the regulatory basis of accounting utilized in preparation of the financial statements.

Fund	Non-spendable	Restricted	Committed	Assigned	Un-assigned	Financial Statements – Reserved	Financial Statements – Un-reserved
Educational	0	149,345	4,586,833	0	(4,257,827)	149,345	329,006
Operations & Maintenance	0	0	0	0	(38,510)	0	(38,510)
Debt Service	0	987,829	0	0	0	0	987,829
Transportation	0	0	0	0	(174,451)	0	(174,451)
Municipal Retirement/ Social Security	0	3,593,430	0	0	0	217,061	3,376,369
Capital Projects	0	36,008,481	0	0	0	0	36,008,481
Working Cash	0	0	0	0	4,474,446	0	4,474,446
Tort Liability	0	3,507,463	0	0	0	0	3,507,463
Fire Prevention and Safety	0	1,245,076	0	0	0	0	1,245,076
Expendable Trust Funds	0	359,597	0	0	0	359,597	0

H. 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.

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt, Capital Leases, and Other Financing Arrangements

The following is a summary of long-term debt activity of the District for the year ended June 30, 2017:

General Obligation Bonds:

	<i>Balance, Beginning</i>	<i>Proceeds</i>	<i>Decreases</i>	<i>Balance, Ending</i>
2008 QZAB	\$ 2,400,440	\$	\$ 390,000	\$ 2,010,440
2012A Taxable Gen Ob Bond	3,955,000		1,145,000	2,810,000
2012 Gen Ob Ref Bonds	2,890,000		2,890,000	0
2014 Gen Ob Bonds	9,785,000			9,785,000
2015 Gen Ob Bonds	9,020,000		245,000	8,775,000
2016 Gen Ob Bonds		30,000,000		30,000,000
2017 Gen Ob Bonds		22,010,000		22,010,000
Subtotal	\$ 28,050,440	\$ 52,010,000	\$ 4,670,000	\$ 75,390,440

Capital Leases:

Dell Computers	\$ 301,728	\$	\$ 147,621	\$ 154,107
De Lage Landen	47,087		11,099	35,988
Subtotal	\$ 348,815	\$	\$ 158,720	\$ 190,095
Total	\$ 28,399,255	\$ 52,010,000	\$ 4,828,720	\$ 75,580,535

Bond Indebtedness

Bond indebtedness is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are payable solely from future revenues of the Debt Service Fund which consists principally of property taxes collected by the District and interest earnings.

2008 QZAB

The Qualified Zone Academy Bonds, Series 2008 were issued on May 29, 2008 in the amount of \$4,945,440 at an interest rate of 1.15%. Principal and interest to be paid each May 29. Date of maturity is May 29, 2022.

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt, Capital Leases, and Other Financing Arrangements (con't)

The annual cash flow requirements of principal and interest on the Qualified Zone Academy Bonds, Series 2008 are as follows:

<i>Year Ended June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2018	\$ 395,000	\$ 23,120	\$ 418,120
2019	400,000	18,578	418,578
2020	400,000	13,978	413,978
2021	405,000	9,378	414,378
2022	410,440	4,720	415,160
Total	\$ 2,010,440	\$ 69,774	\$ 2,080,214

2012A Taxable General Obligation Bonds

The 2012A Taxable General Obligation Bonds were issued on June 6, 2012 in the amount of \$6,200,000. Principal to be paid each February 1. Interest payable August 1 and February 1. Interest rates range from 2.5% to 4.25%. Date of maturity is February 1, 2019.

The annual cash flow requirements of principal and interest on the 2012A Taxable General Obligation Bonds are as follows:

<i>Year Ended June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2018	\$ 1,885,000	\$ 113,770	\$ 1,998,770
2019	925,000	39,313	964,313
Total	\$ 2,810,000	\$ 153,083	\$ 2,963,083

2012 General Obligation School Refunding Bonds

The 2012 General Obligation School Refunding Bonds were issued on February 9, 2012 in the amount of \$11,490,000. Principal to be paid each February 1. Interest payable August 1 and February 1. Interest rates range from 3% to 4%. Date of maturity is February 1, 2017. These bonds were paid in full as of June 30, 2017.

2014 General Obligation School Bonds

The 2014 General Obligation School Bonds were issued on December 30, 2014 in the amount of \$9,785,000. Principal to be paid each February 1 starting February 1, 2030. Interest payable August 1 and February 1. Interest rates range from 3.25% to 4%. Date of maturity is February 1, 2034.

The annual cash flow requirements of principal and interest on the 2014 General Obligation School Bonds are as follows:

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt, Capital Leases, and Other Financing Arrangements (con't)

<i>Year Ended June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2018	\$	\$ 354,506	\$ 354,506
2019		354,506	354,506
2020		354,506	354,506
2021		354,506	354,506
2022		354,506	354,506
2023-27		1,772,531	1,772,531
2028-32	5,665,000	1,565,506	7,230,506
2033-34	4,120,000	227,800	4,347,800
Total	\$ 9,785,000	\$ 5,338,367	\$ 15,123,367

2015 General Obligation School Bonds

The 2015 General Obligation School Bonds were issued on December 10, 2015 in the amount of \$9,020,000. One principal payment to be paid February 1, 2017 and then principal payments will be paid annually starting February 1, 2022. Interest payable August 1 and February 1. Interest rates range from 2.375% to 4.000%. Date of maturity is February 1, 2031.

The annual cash flow requirements of principal and interest on the 2015 General Obligation School Bonds are as follows:

<i>Year Ended June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2018	\$	\$ 311,731	\$ 311,731
2019		311,731	311,731
2020		311,731	311,731
2021		311,731	311,731
2022	685,000	311,731	996,731
2023-27	4,115,000	1,204,494	5,319,494
2028-31	3,975,000	405,000	4,380,000
Total	\$ 8,775,000	\$ 3,168,149	\$ 11,943,149

2016 General Obligation School Bonds

The 2016 General Obligation School Bonds were issued on July 6, 2016 in the amount of \$30,000,000. Principal to be paid each February 1 starting February 1, 2018. Interest payable August 1 and February 1. Interest rates range from 3.00% to 5%. Date of maturity is February 1, 2036.

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt, Capital Leases, and Other Financing Arrangements (con't)

The annual cash flow requirements of principal and interest on the 2016 General Obligation School Bonds are as follows:

<i>Year Ended June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2018	\$ 1,230,000	\$ 1,218,288	\$ 2,448,288
2019	485,000	1,181,387	1,666,387
2020	500,000	1,161,988	1,661,988
2021	500,000	1,141,987	1,641,987
2022	830,000	1,121,988	1,951,988
2023-27	6,495,000	4,895,687	11,390,687
2028-32	8,155,000	3,141,988	11,296,988
2033-36	11,805,000	1,168,100	12,973,100
Total	\$ 30,000,000	\$ 15,031,413	\$ 45,031,413

2017 General Obligation School Bonds

The 2017 General Obligation School Bonds were issued on June 26, 2017 in the amount of \$22,010,000. Principal to be paid February 1, 2019, 2020 and 2021 and then annually starting on February 1, 2028. Interest payable August 1 and February 1. Interest rates range from 3.00% to 5%. Date of maturity is February 1, 2037.

<i>Year Ended June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2018	\$ 486,225	\$ 486,225	\$ 486,225
2019	1,075,000	814,144	1,889,144
2020	300,000	771,143	1,071,143
2021	300,000	759,144	1,059,144
2022		747,144	747,144
2023-27		3,735,719	3,735,719
2028-32	5,925,000	3,340,206	9,265,206
2033-37	14,410,000	2,054,600	16,464,600
Total	\$ 22,010,000	\$ 12,708,325	\$ 34,718,325

Capital Leases

Lease purchase obligations of the District are reflected in the General Long-Term Debt Account Group.

On July 22, 2015, the District entered into a lease purchase agreement with Dell Financial Services for computers. The agreement calls for yearly lease payments of \$160,877 through August 2018. Annual payments will be made through the Educational Fund.

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt, Capital Leases, and Other Financing Arrangements (con't)

On June 2, 2015, the District entered into a lease purchase agreement with De Lage Landen Public Finance, LLC for the lease of storage hardware. The agreement calls for yearly lease payments of \$12,952 through November 2019. Annual payments are made through the Educational Fund.

The following is a schedule of future minimum lease payments under capital leases:

<i>Year Ended June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2018	\$ 165,643	\$ 8,186	\$ 173,829
2019	11,990	962	12,952
2020	12,462	490	12,952
Total	\$ 190,095	\$ 9,638	\$ 199,733

Note 7. Legal Debt Margin

Equalized Assessed Valuation, 2016 Tax Year	\$ 881,402,008
Statutory Debt Limitation (13.8% of Equalized Assessed Valuation)	\$ 121,633,477
Less: Qualifying Debt	(75,580,535)
Legal Debt Margin	\$ 46,052,942

Note 8. Interfund Loans and Transfers

The following interfund loan activity occurred during the year ended June 30, 2017:

	<i>Balance, Beginning</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance, Ending</i>
Interfund Loans	\$ 360,000	\$ 4,000,000	\$ 360,000	\$ 4,000,000

During fiscal year ended June 30, 2016, Working Cash Fund loaned \$360,000 to the Illinois Municipal Retirement/Social Security Fund to cover operating expenditures. This loan was paid in full during the fiscal year ended June 30, 2017.

The Working Cash Fund loaned \$750,000 to the Transportation Fund to cover operating expenditures.

The Working Cash Fund loaned \$2,750,000 to the Educational Fund to cover operating expenditures.

The Working Cash Fund loaned \$500,000 to the Operations and Maintenance Fund to cover operating expenditures.

NOTES TO FINANCIAL STATEMENTS

Note 8. Interfund Loans and Transfers (con't)

During the fiscal year ended June 30, 2017, the District transferred \$420,875 from the Working Cash Fund to the Educational Fund for general operating purposes.

Note 9. Deposits and Investments

The District is allowed to invest in securities as authorized by Sections 2 and 6 of the Public Funds Investment Act and Sections 8-7 of the School Code of Illinois. According to the District's investment policy, the District can invest as allowed by the statute in authorized depositories.

Custodial Risk Related to Deposits with Financial Institutions

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's general investment policy regarding collateralization is to have all amounts deposited or invested covered by collateral in excess of federal depository insurance. The District has obtained collateral to secure deposits in excess of FDIC coverage.

As of June 30, 2017, none of the District's deposits were exposed to custodial credit risk.

Deposits

The District's deposits include demand deposits, savings accounts and certificates of deposit. As of June 30, 2017, the bank balance was \$50,588,740, which includes the funds of the District, the Special Education Association of Adams County, Quincy Area Vocational Technical Center, and West Central Regional System. The deposits of the District's reporting entity are insured or collateralized with securities held by the District, its agent, or by the pledging financial institution's trust department or agent in the name of the District. As of June 30, 2017, \$536,728 of the District's deposits is covered by Federal Deposit Insurance and \$50,052,012 is covered by specific collateral agreements.

As of June 30, 2017, the depository banks used by the District, the Special Education Association of Adams County, the Quincy Area Vocational Technical Center, and the West Central Regional System had pledged \$50,052,012 of the bank balance in federal securities to secure the District's deposits in excess of the amount insured by the FDIC. The pledged securities are held by an independent financial institution in the District's name. In addition, a portion of the District's deposits are collateralized as part of a collateralization pool.

NOTES TO FINANCIAL STATEMENTS

Note 9. Deposits and Investments (con't)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk. At year end, none of the District's investments were subject to custodial credit risk due to one of the following: 1) Investments were part of an insured pool 2) Investments were book-entry only in the name of the District and were fully insured 3) Investments were part of a mutual fund 4) Investments were held by an agent in the District's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates other than limiting agreements to periods of 330 days or less.

Investments

As of June 30, 2017, the District had the following investments and maturities:

Investment Type	Book Value	Fair Value	Investment Maturities (in years)	
			Less than 1	1 to 5
ISDLAF+(Inv Pool)	1,868,765	1,868,765	1,868,765	
US Govt Money Market				
Northern Institutional Gov				
Portfolio Money Market	88,725	88,725	88,725	
Corporate Bonds	25,000	25,151		25,151
Common Stocks	159,692	408,329	408,329	
Mutual Funds-Equity	34,789	41,268	41,268	
Certificates of Deposit	222,647	223,390	151,284	72,106
Total	2,399,618	2,655,628	2,558,371	97,257

The net difference in book value and fair value of investments of \$256,010, is the Storby Scholarship, which is reported at cost. (See Note 14)

As of June 30, 2017, the District's investment types are not rated.

NOTES TO FINANCIAL STATEMENTS

Note 9. Deposits and Investments (con't)

Credit Risk and Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Disclosures are required for any issuer that represents 5% or more of total investments, exclusive of mutual funds, external investment pools and investments issued or guaranteed by the U.S. government. The District's investment policy places no limit on the amount the District may invest in any one issuer. As of June 30, 2017, investment types totaling over 5% were the ISDLAF + (Investment Pool), common stocks and certificates of deposit.

Illinois Funds Money Market –

During the year ended June 30, 2017, the District maintained an account with the Illinois School District Liquid Asset Fund Plus (also known as ISDLAF+). ISDLAF+ is an external investment pool created in cooperation by the Illinois Association of School Boards, the Illinois Association of School Business Officials, and the Illinois Association of School Administrators. Its primary purpose is to provide School Districts, Community College Districts, and Educational Service Regions with an alternative investment vehicle that will enable them to earn a competitive rate of return on fully collateralized investments, while maintaining immediate access to invested funds.

The Multi-Class Series invests in money market instruments having a maximum remaining maturity of one year (except that U.S. government obligations may have remaining maturities of up to two years). It has earned an AAAM rating from the Standard & Poor's ("S&P"). The Multi-Class Series consists of two classes of shares: the Liquid Class and the MAX Class. The Liquid Class offers check writing privileges, while the MAX Class does not.

ISDLAF+ also provides a Fixed Income Investment Program that allows investors to purchase investment instruments including certificates of deposit of banks and thrift institutions ("CDs"), commercial paper and bankers' acceptances. CDs purchased under this program are fully FDIC insured.

At June 30, 2017, the District had \$1,868,765 invested with the ISDLAF+ Multi-Class Series of investments.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. The District had no foreign currency risk as of June 30, 2017.

NOTES TO FINANCIAL STATEMENTS

Note 10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs: property and liability. The District is part of an insurance pool for workers' compensation coverage. During the year ended June 30, 2017, there has been no significant reduction in insurance coverage. Also, settlement amounts have not exceeded insurance coverage.

Note 11. Egyptian Area Schools Employee Benefit Trust

In August of 2016, the District approved becoming a participating employer in the Egyptian Area Schools Employee Benefit Trust for health insurance, effective October 1, 2016.

Plan Description. The district contributes to the Egyptian Area Schools Benefit Trust (the "Trust"), a cost-sharing, multiple-employer defined benefit health care plan administered by the Board of Managers of the Trust. The Trust provides medical benefits to active and retired employees of approximately 150 participating employers.

The Trust issues a publicly available financial report that includes financial statements and required supplementary information for the Trust. A copy of the report may be obtained by writing to the Egyptian Area Schools Employee Benefit Trust, 2350 S. 7th Street, #100, St. Louis, MO 63104, or by calling 618-791-5541. The report is also posted on the Trust's website at www.egtrust.org.

Funding Policy. The Trust Agreement establishing the Trust provides that contribution rates are established and may be modified by the Board of Managers of the Trust. Contribution rates are normally adjusted as of September 1 each year.

As of June 30, 2017, participating employers were contractually required to contribute at the following rates for active and retired employees and dependents:

	Plan M7	Plan M8	Plan M3	Plan H1	Plan H3
Employee (Retiree)	\$698	\$660	\$628	\$594	\$539
Employee + spouse	\$1,466	\$1,414	\$1,320	\$1,246	\$1,129
Employee + child(ren)	\$1,202	\$1,158	\$1,082	\$1,022	\$927
Family	\$1,970	\$1,936	\$1,774	\$1,676	\$1,519

NOTES TO FINANCIAL STATEMENTS

Note 11. Egyptian Area Schools Employee Benefit Trust

Participating employers may require employees and/or retirees to pay some or all of the required contributions to the employer, but the employer has the legal obligation to pay contributions to the Trust. The District requires employees/retirees to pay between 1% and 55% of their premiums depending on the plan they choose (i.e. Plan M7 Family versus plan H1 Employee only) and their number of hours worked. Required payment rates are negotiated with each new coverage year.

The Board of Managers of the Trust sets the employer contribution rates each year based on an actuarial valuation. The Trust's actuary has determined that as of June 30, 2016, contribution rates exceeded the Annual Required Contribution (ARC) determined in accordance with the parameters of GASB statement 45. The District's contributions to the Trust for the year ending June 30, 2017 were \$6,918,543, which equaled the contractually required contributions for the year.

Note 12. Self Insurance Plan

Unemployment Insurance

All employees of the District are covered under the State of Illinois Unemployment Insurance Act. The District elected to be self-insured and, therefore, is liable to the State for any payments made to an unemployed worker claiming benefits.

Employee Health Insurance

The District switched to a fully Insured Medical Benefits Plan during the fiscal year ending June 30, 2014. The District is responsible to cover run out claims. The amount of unreimbursed claims is not determinable.

Note 13. Flexible Benefit Plan

The Employee Trust Fund is established under the Internal Revenue Code and is operated under its rule. The Fund collects and expends monies for non-covered medical and dental expenses. If the employee does not use their portion within a year, it then becomes a part of the Fund assets.

Note 14. Sam Storby Scholarship Fund

The District received \$200,000 for the establishment of a scholarship fund to benefit the boys and girls basketball teams. Under the terms of the bequest, the principal must remain intact, but the interest may be used for scholarships. The total bequest has been deposited into a trust account at Mercantile Trust, Quincy. The scholarship fund is accounted for as a non-expendable trust fund. The fund is recorded at cost, which at June 30, 2017, was \$412,463. An adjustment was made of \$256,010 at June 30, 2017, to convert cash to the cost basis, which appropriately reflects the cash basis of accounting. This adjustment did not have any effect on fund balance.

NOTES TO FINANCIAL STATEMENTS

Note 15. Other Post-Employment Benefits

The District provides post-retirement health care benefits for eligible retirees. Retirees continue their health coverage under the District's self-funded plan. The retirees are responsible for the entire premium payment to secure coverage. The Unfunded Actuarial Liability has not been determined as of June 30, 2017.

Any post retirement obligations under the Illinois Municipal Retirement Fund have not been provided by the District. These amounts are to be determined by the Fund.

Note 16. Joint Agreements

The District participates in joint agreements with the Special Education Association of Adams County, Quincy Area Vocational Technical Center and the West Central Regional System, Education for Employment, along with other school districts. The District's pupils benefit from programs administered under these joint agreements, and the District benefits from jointly administered grants and programming. The District is the administrative district for all three of these joint agreements.

The Special Education Association of Adams County, the Quincy Area Vocational Technical Center and the West Central Regional System, Education for Employment, issue a publicly available financial report that includes financial statements and other information. That report may be obtained by writing to any of the above at 1416 Maine Street, Quincy, Illinois.

Note 17. Commitments and Contingencies

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2017 may be impaired.

In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTES TO FINANCIAL STATEMENTS

Note 17. Commitments and Contingencies (con't)

Litigation

Claim challenging the school district's tort levy. There have been multiple cases filed by a pro se litigant that have remained for the most part idle for an extended period of time. It is believed the court recognizes that the pro se litigant has filed repeated lawsuits against the School District over the course of 13+ years (all of which have been unsuccessful, and some have resulted in sanctions awards against the pro se litigant). For this reason, it is believed the court does not intend to move these cases to a resolution. As anticipated, the court is beginning to dismiss the cases for want of prosecution as further detailed below.

On November 14, 2012, case 12-TX-27 was filed, which again challenges the school district's tort immunity tax levy for 2011. The complaint further seeks to revive all of the prior tort immunity tax objection complaints previously filed against the school district. The school district filed motion to dismiss several counts of the complaint.

On April 17, 2014, an order was entered dismissing certain counts of the complaint related to the tax levies in 2004, 2005, and 2006. The court denied the motions by the school district to dismiss the counts regarding 2009 and 2011 tax levies. Thus, challenges to the tax levies in 2008, 2009 and 2011. There have been no further court orders since April 17, 2014 and no discovery has taken place to date.

On November 17, 2014, the plaintiff filed 14-TX-46, which challenges the school district's tort immunity tax levy for 2013. On January 26, 2015, the plaintiff filed a motion for continuance, alleging the attorneys for the school district have no authority to intervene and submitted a request for review to the Illinois Attorney General. The court entered its order continuing the matter until the Illinois Attorney General makes its determination on the issue.

On November 13, 2015, the Plaintiff filed 15-TX-36, which challenges the School District's tort immunity tax levy for 2014. Motion to Strike, Answer and Affirmative Defenses filed on behalf of Quincy Public School District No. 172 on March 21, 2016. No action has occurred in this case since December 15, 2016.

These outstanding matters may be dismissed for want of prosecution as has been done for prior cases.

The District is also named in various claims and legal actions in the normal course of its activities. Based upon counsel and management's opinion, the outcome of such matters is not expected to have a material adverse effect on the District's financial position or changes in fund balance.

NOTES TO FINANCIAL STATEMENTS

Note 17. Commitments and Contingencies (con't)

Vacation Pay

Vacation pay is considered to be an expenditure in the year paid. Eligible support staff receive vacation pay. At June 30, 2017, the estimated unused vacation liability is \$376,572.

Sick Pay

Sick pay is considered to be an expenditure in the year paid. Accumulated sick pay benefits are available to eligible employees to use in future years. Sick pay does not vest if not used during the term of employment with the District.

Capital Project and Construction Commitments

The District entered into various contracts for school building construction and improvements to be completed over the next several years totaling \$65,258,156. As of June 30, 2017, the District had construction in progress of \$19,350,171 and approximately \$35,919,395 in outstanding commitments.

Operating Leases

The District participated in several operating leases for postage meters, driver's education vehicles and Fiber Optic WAN and internet. Rental expenses consisted of \$326,253 for the year ended June 30, 2017.

Future minimum lease payments under this agreement as of June 30, 2017 are as follows:

Year Ended June 30,	Amount
2018	\$ 272,916
2019	288,576
2020	262,341
2021	258,087
2022	43,664

The District has entered into operating leases for buses. Lease expenses consisted of \$905,209. As of June 30, 2017, the District's future leasing commitments for buses by fiscal year were as follows:

NOTES TO FINANCIAL STATEMENTS

Note 17. Commitments and Contingencies (con't)

Operating Leases (con't)

Year Ended June 30,	Amount
2018	\$ 562,983
2019	562,983
2020	321,842
2021	321,842
2022	1,303,365

Note 18. Subsequent Events

Events that occur after the statement of Assets and Liabilities Arising from Cash Transactions (statement) date, but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement date require disclosure in the accompanying notes. Management evaluated the activity of Quincy Public School District No. 172 through October 23, 2017, the date which the financial statements were available to be issued, and concluded that no additional subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Note 19. Actual Expenditures in Excess of Budget

During the year ended June 30, 2017, the district had actual expenditures in excess of budgeted expenditures due to fees charged in bond issues, as follows:

	Actual Expenditures	Budgeted Expenditures	Excess
Debt Service	\$7,253,288	\$6,727,485	\$525,803

Note 20. Deficit Fund Balance

A deficit unreserved fund balance of \$38,510 exists in the Operations and Maintenance Fund. The deficit results from a loan from the Working Cash Fund during the year ended June 30, 2017, to cover operating expenditures.

A deficit unreserved fund balance of \$174,451 exists in the Transportation Fund. The deficit results from a loan from the Working Cash Fund during the year ended June 30, 2017, to cover operating expenditures.

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

COMBINING SCHEDULE OF ASSETS, LIABILITIES, FUND BALANCE
AND OTHER CREDITS ARISING FROM CASH TRANSACTIONS

ALL TRUST AND AGENCY FUNDS

June 30, 2017

	Flexible Benefit Plan Fund	Self-Funded Insurance Fund
ASSETS		
Cash and Cash Equivalents	\$ 94,286	\$ 265,311
Investments		
Total Assets	<u>94,286</u>	<u>265,311</u>
LIABILITIES		
Due to Other Organizations		
Total Liabilities	0	0
FUND BALANCE AND OTHER CREDITS		
Net Assets Available for Benefits	<u>94,286</u>	<u>265,311</u>
Total Liabilities, Fund Balance and Other Credits	\$ <u>94,286</u>	\$ <u>265,311</u>

Junior High Activity Fund	High School Activity Fund	Convenience Funds	Scholarship Funds	Total
\$ 60,014	\$ 118,385 111,807	\$ 7,599	\$ 1,143 419,047	\$ 546,738 530,854
<u>60,014</u>	<u>230,192</u>	<u>7,599</u>	<u>420,190</u>	<u>1,077,592</u>
<u>60,014</u>	<u>230,192</u>	<u>7,599</u>	<u>420,190</u>	<u>717,995</u>
60,014	230,192	7,599	420,190	717,995
				<u>359,597</u>
<u>\$ 60,014</u>	<u>\$ 230,192</u>	<u>\$ 7,599</u>	<u>\$ 420,190</u>	<u>\$ 1,077,592</u>

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FIDUCIARY FUND TYPE - EXPENDABLE TRUST FUND
FLEXIBLE BENEFIT PLAN FUND

Year Ended June 30, 2017

Additions to Plan Assets Attributed to:	
Employee Contributions	\$ 98,007
Interest on Investments	<u>632</u>
Total Additions	98,639
Deductions from Plan Assets Attributed to:	
Insurance Premium Payments	<u>182,590</u>
Net Increase/(Decrease)	(83,951)
Net Assets Available for Benefits, July 01, 2016	<u>178,237</u>
Net Assets Available for Benefits, June 30, 2017	<u><u>\$ 94,286</u></u>

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FIDUCIARY FUND TYPE - EXPENDABLE TRUST FUND
SELF-FUNDED INSURANCE FUND

Year Ended June 30, 2017

Additions to Plan Assets Attributed to:	
Interest Income	\$ 1,338
Board Contributions	0
Employee Contributions	0
Retiree Contributions	0
Cobra Employee Contributions and Misc. Reimbursements	0
Total Additions	<u>1,338</u>
Deductions from Plan Assets Attributed to:	
Medical Claims	0
Prescriptions Claims	0
Reinsurance Premiums	0
Administrative Expenses	23
Other Paid Benefits	0
Total Deductions	<u>23</u>
Net Increase/(Decrease)	1,315
Net Assets Available for Benefits, July 01, 2016	<u>263,996</u>
Net Assets Available for Benefits, June 30, 2017	<u>\$ 265,311</u>

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2017

	Balance 7/1/2016	Receipts	Dis- bursements	Balance 6/30/2017
JR. HIGH SCHOOL ACTIVITY FUND				
9010 PTA Donations	\$ 27	\$	\$	\$ 27
9100 Drama Club	-	850	30	820
9105 QJHS T-shirt Sales	407			407
9110 Art Club	1,320			1,320
9115 QJHS School Store	33	549	543	39
9120 Shop Donations	9			9
9125 Beta Club	1,635		104	1,531
9130 LDS Instructional	188			188
9140 8th Student Council	2,933	2,887	2,909	2,911
9150 Health Fitness	62			62
9160 German Club	12			12
9170 Junior Hi-Lights	753			753
9185 QJHS Green House	2,554			2,554
9190 6th Student Council	2,626	1,686	983	3,329
9200 7th Student Council	5,484	4,738	4,304	5,918
9210 Spanish Club	100			100
9221 Sports Donation	1,450	428	1,473	405
9222 Extra Curricular General	6,942	1,753	1,635	7,060
9225 EMH Program	3,079	248	105	3,222
9350 Ed Program	22			22
9400 Attendance Office Miscellaneous	2,633	2,306	3,302	1,637
9410 Cheerleading	1,445	5,401	3,838	3,008
9510 Student Planner	182			182
9612 Reading/English	567			567
9613 Washington D.C. Fund	382	19,239	18,752	869
9614 PBIS	918	1,162	946	1,134
9620 Canada Fund	643			643
9640 Phil Fleming Memorial	125			125
9651 TMH Candy	1,101		154	947
9652 Yearbook	1,135	6,268	217	7,186
9660 Europe Trip Fundraiser	6,082	11,621	8,605	9,098
9675 Flower & Gift/Retirement/Staff PTA	73	713	597	189
9690 Mercantile Grant/Gayle Roskamp	65			65
9700 Counselors Fund	2,395	5,839	5,744	2,490
9705 QJHS Fitness Room	36			36
9710 Interest	881	268		1,149
Total Jr. High School Activity Fund	\$ 48,299	\$ 65,956	\$ 54,241	\$ 60,014

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2017

	Balance 7/1/2016	Receipts	Dis- bursements	Balance 6/30/2017
HIGH SCHOOL ACTIVITY FUND				
9125 AP Exams	\$ 19,855	\$ 22,992	\$ 21,134	\$ 21,713
9130 Art Club	410		28	382
9140 BETA Club	1,568	2,715	1,551	2,732
9145 Classroom Books	224			224
9147 Cross-Categorical Tier 1	152	350	475	27
9150 Custodian Fund	1,960	785	205	2,540
9160 Choose Life	-	4,348	1,807	2,541
9170 Flower Fund	165	1,246	1,265	146
9175 Gay Straight Alliance	-	797	45	752
9180 German Club	1,066	1,292	1,144	1,214
9195 Key Club	16	1,590	1,146	460
9222 Mercantile Booster	2,350	3,500	4,600	1,250
9225 Revolving	156	6,627	5,774	1,009
9230 National Honor Society	2,576	3,679	4,079	2,176
9250 Pay It Forward	550	265	240	575
9251 P.K. Memorial Marque Donation	1,427		911	516
9252 PE Curtain	270			270
9253 PE Locks	2,253	9,686	9,251	2,688
9254 Prince Donations	228			228
9256 Positive Behavioral Intervention Support	13,709	13,860	23,874	3,695
9270 Quippi	9,845	19,680	19,671	9,854
9280 Quiz Bowl	3,007	2,690	2,259	3,438
9285 Safe Driving Grant	200			200
9290 Spanish Club	417	3,702	3,821	298
9295 Special Project	4,231	2,071	1,688	4,614
9300 Special Education	1,521	248	161	1,608
9310 Student Council	8,323	40,366	34,481	14,208
9311 Summer School Store	375			375
9320 TMH	479		117	362
9400 Special Ed Foods Skills	2,506			2,506

QUINCY PUBLIC SCHOOL DISTRICT NO. 172

Quincy, Illinois

ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2017

	Balance 7/1/2016	Receipts	Dis- bursements	Balance 6/30/2017
HIGH SCHOOL ACTIVITY FUND - cont.				
QAVTC Accounts:				
9510 Diesel Tech Club	\$ 352	\$ 100	\$ 113	\$ 339
9520 Auto Mechanics Club	767			767
9530 Building Trades Club	1,661	460		2,121
9540 QAVTC - Childcare	619	1,068	1,007	680
9550 Commercial Foods Club	3,655			3,655
9570 QAVTC - Projects	1,642	1,292	2,392	542
9575 QAVTC - Project Lead The Way	4,854		661	4,193
9580 Drafting Club	34			34
9590 Electronics Club	5,602		2,499	3,103
9610 Graphic Arts Club	4,824	3,387	2,500	5,711
9620 Health Occupations Club	1,419	2,992	3,040	1,371
9650 National Tech Honor Society	8	570	570	8
9660 Welding Club	3,271	584	3,719	136
9680 Agriculture	-	9,424		9,424
9690 Broadcasting	-	400		400
9800 Interest	1,254	12,816	12,167	1,903
Scholarship Funds:				
9710 Class of 1929 Memorial Fund	500		499	1
9715 Derick Douglas Basketball Camp Scholarship	107			107
9720 Mathematics Scholarship Fund	210			210
9730 Paul Miller Scholarship Fund	17			17
9735 Paul Miller Advertising	33			33
9740 Steven Davis Snider Scholarship Fund	535			535
9750 Rob McIntyre Scholarship Fund	2,014		2,000	14
9760 Cozean Scholarship	501	500	1,000	1
Class of 1984 Memorial Fund	479			479
Subtotal High School Activity Fund	\$ 114,197	\$ 176,082	\$ 171,894	\$ 118,385
High School CDs				
Bagusin Scholarship Fund - CD	\$ 2,277	\$ 5	\$	\$ 2,282
Class of 1929 Memorial Fund - CD	26,015	84		26,099
Cozean Scholarship - CD	22,031	52	500	21,583
Derick Douglas Basketball Camp Scholarship - CD	1,956	5		1,961
Mathematics Scholarship Fund - CD	3,645	11		3,656
Rob McIntyre Scholarship Fund - CD	18,549	59		18,608
Steven Davis Snider Scholarship Fund - CD	31,994	112		32,106
Student Council - CD	5,499	13		5,512
Subtotal High School CDs	111,966	341	500	111,807
Total High School Activity Fund	\$ 226,163	\$ 176,423	\$ 172,394	\$ 230,192

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

CONVENIENCE FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2017

	Balance 7/1/2016	Receipts	Dis- bursements	Balance 6/30/2017
CONVENIENCE FUNDS				
Bus Barn	\$ 1,681	\$ 490	\$	\$ 2,171
Maintenance Dept.	3,856	1,979	2,034	3,801
Adams County CEC	<u>1,677</u>	<u></u>	<u>50</u>	<u>1,627</u>
Total Convenience Funds	\$ <u>7,214</u>	\$ <u>2,469</u>	\$ <u>2,084</u>	\$ <u>7,599</u>

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

SCHOLARSHIP FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2017

	Balance 7/1/2016	Receipts	Dis- bursements	Balance 6/30/2017
SCHOLARSHIP FUNDS				
F.E. Holum Scholarship	\$ 6,557	\$ 27	\$	\$ 6,584
Storby Scholarship	406,955	7,038	1,530	412,463
Clarence Montgomery Scholarship	<u>1,144</u>	<u>9</u>	<u>10</u>	<u>1,143</u>
Total Scholarship Funds	\$ <u>414,656</u>	\$ <u>7,074</u>	\$ <u>1,540</u>	\$ <u>420,190</u>

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

EDUCATIONAL FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS,
OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	2017	2016	2015
RECEIPTS			
Local Sources:			
Property Tax	\$ 16,077,466	\$ 15,478,036	\$ 15,153,836
Replacement Tax	4,451,345	4,398,705	3,168,180
Interest	33,930	33,304	87,729
Other	2,671,832	2,849,971	3,113,396
State Sources:			
General State Aid	12,624,845	12,108,877	11,844,547
Other	3,502,568	4,382,631	4,352,242
Federal Sources	8,539,441	8,125,815	8,341,946
Total Receipts	<u>47,901,427</u>	<u>47,377,339</u>	<u>46,061,876</u>
DISBURSEMENTS			
Instruction:			
Regular Programs	18,867,718	19,672,222	19,253,490
Pre-K Programs	442,329	399,227	389,623
Special Education Programs	9,902,590	9,612,017	9,187,445
Special Education Programs Pre-K	109,309	108,723	106,278
Remedial & Supplemental			
K-12	1,716,230	1,919,206	1,738,113
Adult/Continuing Education	1,957	12,285	8,680
CTE Programs	3,000		
Interscholastic	1,171,290	1,072,739	1,035,634
Summer School	98,922	100,642	139,566
Gifted			
Driver's Education	150,388	163,320	151,653
Bilingual	26,928	27,545	24,944
Truant Alternatives	46,077	41,703	66,270
Spec Educ-Priv Tuition	2,622,362	2,176,410	2,341,547
Supporting Services:			
Pupils	2,568,558	2,284,105	2,182,545
Instructional Staff	2,091,865	1,926,192	2,047,305
General Administration	497,884	549,036	614,207
School Administration	2,929,988	2,755,964	2,599,704
Business	3,573,483	3,686,064	3,594,630
Central	791,761	666,832	571,114
Other	25,870	24,525	34,267
Community Services	190,240	194,864	194,842
Payments to Other Govts	514,643	545,904	544,940
Debt Service			
Total Disbursements	<u>48,343,392</u>	<u>47,939,525</u>	<u>46,826,797</u>
Receipts Over (Under)			
Disbursements	\$ (441,965)	\$ (562,186)	\$ (764,921)

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

EDUCATIONAL FUND (con't)

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS,
OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	2017	2016	2015
Receipts Over (Under) Disbursements (From Previous Page)	\$ (441,965)	\$ (562,186)	\$ (764,921)
OTHER FINANCING SOURCES (USES)			
Abolishment of Working Cash	420,875	405,241	394,492
Abatement of Working Cash			
Sale of Fixed Assets			
Transfer to Other Funds			
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing (Uses)	(21,090)	(156,945)	(370,429)
FUND BALANCE, BEGINNING	499,441	656,386	1,026,815
FUND BALANCE, ENDING	\$ <u>478,351</u>	\$ <u>499,441</u>	\$ <u>656,386</u>

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

OPERATIONS AND MAINTENANCE FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS,
OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	2017	2016	2015
RECEIPTS			
Local Sources:			
Property Tax	\$ 4,377,093	\$ 4,213,909	\$ 4,125,638
Replacement Tax	678,608	219,406	1,848,105
Interest	7,941	15,684	9,764
Rentals	38,037	64,851	56,672
Other	116,217	128,926	231,938
State Sources			21,878
Federal Sources			
Total Receipts	<u>5,217,896</u>	<u>4,642,776</u>	<u>6,293,995</u>
DISBURSEMENTS			
Supporting Services:			
Facilities Acquisition & Constr. Services	33,127	22,422	14,045
Operation and Maint. of Plant Services	<u>5,468,710</u>	<u>5,653,314</u>	<u>5,680,819</u>
Total Disbursements	<u>5,501,837</u>	<u>5,675,736</u>	<u>5,694,864</u>
Receipts Over (Under) Disbursements	(283,941)	(1,032,960)	599,131
OTHER FINANCING SOURCES (USES)			
Taxes Transferred to Capital Projects			
Sale of Fixed Assets			
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing (Uses)	(283,941)	(1,032,960)	599,131
FUND BALANCE, BEGINNING	<u>245,431</u>	<u>1,278,391</u>	<u>679,260</u>
FUND BALANCE, ENDING	<u>\$ (38,510)</u>	<u>\$ 245,431</u>	<u>\$ 1,278,391</u>

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

TRANSPORTATION FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS,
OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	2017	2016	2015
RECEIPTS			
Local Sources:			
Property Taxes	\$ 1,683,497	\$ 1,620,765	\$ 1,586,799
Fees	269,002	277,274	299,433
Interest	2,065	3,894	5,823
Other	46,704	49,476	57,438
State Sources:			
State Aid:			
General State Aid	150,000		
Regular/Vocational	525,252	478,605	637,291
Special Education	572,122	1,020,092	716,452
Early Childhood-Block Grant	109,080		
Total Receipts	<u>3,357,722</u>	<u>3,450,106</u>	<u>3,303,236</u>
DISBURSEMENTS			
Support Services:			
Pupil Transportation	3,636,072	3,583,566	3,834,509
Other Support Services	17,150	14,170	18,766
Total Disbursements	<u>3,653,222</u>	<u>3,597,736</u>	<u>3,853,275</u>
Receipts Over (Under) Disbursements	(295,500)	(147,630)	(550,039)
FUND BALANCE, BEGINNING	<u>121,049</u>	<u>268,679</u>	<u>818,718</u>
FUND BALANCE, ENDING	<u>\$ (174,451)</u>	<u>\$ 121,049</u>	<u>\$ 268,679</u>

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
Quincy, Illinois

SCHEDULE OF EQUALIZED ASSESSED VALUATIONS,
TAX LEVIES, RATES, EXTENSIONS AND COLLECTIONS

June 30, 2017

	Year of Levy		
	2016	2015	2014
TAX LEVIES			
Educational	\$ 16,289,520	\$ 15,652,550	\$ 15,053,040
Bond and Interest	5,531,415	5,688,638	5,566,211
Operations & Maintenance	4,426,500	4,253,426	4,090,500
Pension/IMRF	1,422,086	1,373,980	1,761,313
Transportation	1,770,600	1,701,422	1,636,200
Working Cash	442,650	425,420	409,050
Fire Prevention & Safety	442,650	425,420	409,050
Special Education	354,120	340,353	327,240
Tort/Liability Insurance	2,132,083	2,120,901	2,171,039
Social Security	1,855,920	1,767,693	1,321,010
Leasing	442,650	425,420	409,050
Combined Total	<u>\$ 35,110,194</u>	<u>\$ 34,175,223</u>	<u>\$ 33,153,703</u>

MAX RATES				
TAX RATES				
Educational	1.84000	1.84000	1.84000	1.81795
Bond and Interest	RTP	0.63390	0.68141	0.67894
Operations & Maintenance	0.50000	0.50000	0.50000	0.49401
Pension/IMRF	RTP	0.16135	0.16294	0.21272
Transportation	0.20000	0.20000	0.20000	0.19761
Working Cash	0.05000	0.05000	0.05000	0.04941
Fire Prevention & Safety	0.05000	0.05000	0.05000	0.04941
Special Education	0.04000	0.04000	0.04000	0.03953
Tort/Liability Insurance	RTP	0.24190	0.25152	0.26220
Social Security	RTP	0.21057	0.20963	0.15954
Leasing	0.05000	0.05000	0.05000	0.04941
Combined Total		<u>3.97772</u>	<u>4.03550</u>	<u>4.01073</u>

	Year of Levy		
	2016	2015	2014
TAX EXTENSIONS			
Educational	\$ 16,217,797	\$ 15,515,851	\$ 15,053,092
Bond and Interest	5,587,207	5,746,009	5,621,798
Operations & Maintenance	4,407,010	4,216,264	4,090,529
Pension/IMRF	1,422,142	1,373,996	1,761,376
Transportation	1,762,804	1,686,506	1,636,261
Working Cash	440,701	421,626	409,127
Fire Prevention & Safety	440,701	421,626	409,127
Special Education	352,561	337,301	327,319
Tort/Liability Insurance	2,132,111	2,120,950	2,171,083
Social Security	1,855,968	1,767,711	1,321,032
Leasing	440,701	421,626	409,127
	<u> </u>	<u> </u>	<u> </u>
Combined Total	\$ 35,059,703	\$ 34,029,466	\$ 33,209,871

TAX COLLECTIONS			
Educational	\$ 15,488,242	\$ 14,910,673	
Bond and Interest	5,735,780	5,568,595	
Operations & Maintenance	4,208,743	4,051,813	
Pension/IMRF	1,371,561	1,744,715	
Transportation	1,683,497	1,620,765	
Working Cash	420,874	405,241	
Fire Prevention & Safety	420,874	405,241	
Special Education	336,699	324,219	
Tort/Liability Insurance	2,117,178	2,150,548	
Social Security	1,764,547	1,308,520	
Leasing	420,875	405,241	
	<u> </u>	<u> </u>	
Combined Total	\$ 33,968,870	\$ 32,895,571	

EQUALIZED ASSESSED VALUATIONS	\$ 881,402,008	\$ 843,252,786	\$ 828,025,605
	<u> </u>	<u> </u>	<u> </u>

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

LAST 10 CALENDAR YEARS (to be built prospectively from 2015)

Fiscal Year Ending June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Employer's Proportion of the Net Pension Liability	0.026850565	0.026794479	0.030265675							
Employer's Proportionate Share of the Net Pension Liability	\$ 21,194,774	\$ 17,553,083	\$ 18,419,167							
State's Proportionate Share of the Net Pension Liability Associated with the Employer	194,692,652	166,361,600	157,068,038							
Total	\$ 215,887,426	\$ 183,914,683	\$ 175,487,205	-	-	-	-	-	-	-
Employer's Covered Employee Payroll	\$ 25,755,084	\$ 26,556,228	\$ 25,055,178							
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	82.29%	68.68%	73.51%							
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	36.40%	41.50%	43.00%							

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
MULTIYEAR SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

LAST 10 YEARS (To be built prospectively from 2015)

Fiscal Year Ending June 30,	Statutorily Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contribution as a % of Covered-Employee Payroll
2015	\$ 975,353	\$ 981,792	\$ (6,439)	\$ 25,055,178	3.92%
2016	1,029,434	1,044,014	(14,580)	25,556,228	4.09%
2017	1,061,109	1,072,045	(10,936)	25,755,064	4.16%

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND

LAST 10 CALENDAR YEARS (to be built prospectively from 2014)

Calendar Year Ending December 31,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Pension Liability										
Service Cost	\$ 1,423,107	\$ 1,423,141	\$ 1,512,079							
Interest on the Total Pension Liability	5,495,498	5,292,591	4,868,840							
Benefit Changes										
Difference Between Expected and Actual Experience	(83,040)	(54,795)	41,746							
Assumption Changes	(260,972)	84,781	3,006,452							
Benefit Payments and Refunds	(4,049,004)	(3,820,377)	(3,444,862)							
Net Change in Total Pension Liability	2,525,589	2,925,341	5,984,255	-	-	-	-	-	-	-
Total Pension Liability - Beginning	74,880,525	71,955,184	65,970,929							
Total Pension Liability - Ending (a)	\$ 77,406,114	\$ 74,880,525	\$ 71,955,184	-	-	-	-	-	-	-
Plan Fiduciary Net Position										
Employer Contributions	\$ 1,878,128	\$ 1,932,031	\$ 1,824,524							
Employee Contributions	588,982	573,637	572,475							
Pension Plan Net Investment Income	4,301,594	310,918	3,624,573							
Benefit Payments and Refunds	(4,049,004)	(3,820,377)	(3,444,862)							
Other	253,669	751,899	321,043							
Net Change in Plan Fiduciary Net Position	2,973,369	(251,892)	2,897,753	-	-	-	-	-	-	-
Plan Fiduciary Net Position - Beginning	62,589,028	62,840,920	59,943,167							
Plan Fiduciary Net Position - Ending (b)	\$ 65,562,397	\$ 62,589,028	\$ 62,840,920	-	-	-	-	-	-	-
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ 11,843,717	\$ 12,291,497	\$ 9,114,264							
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.70%	83.59%	87.33%							
Covered Valuation Payroll	\$ 13,078,887	\$ 12,745,307	\$ 12,566,416							
Net Pension Liability as a Percentage of Covered Valuation Payroll	90.56%	96.44%	72.53%							

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
MULTIYEAR SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

LAST 10 CALENDAR YEARS (To be built prospectively from 2014)

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2014	\$ 1,804,537	\$ 1,824,524	\$ (19,987)	\$ 12,566,416	14.52%
2015	1,814,932	1,932,031	(117,099)	12,745,307	15.16%
2016	1,878,128	1,878,128	-	13,078,887	14.36%

QUINCY PUBLIC SCHOOL DISTRICT NO. 172

Quincy, Illinois

Notes to Other Information

Note 1. Teacher's Retirement System of Illinois - Changes of Assumptions

For the 2016 measurement year, the assumed investment rate of return was 7.0 percent, including an inflation rate of 2.5 percent and a real rate of return of 4.5 percent. Salary increases were assumed to vary by service credit.

For the 2015 measurement year, the assumed investment rate of return was 7.5 percent, including an inflation rate of 3.0 percent and a real return of 4.5 percent. Salary increases were assumed to vary by service credit. Various other changes in assumptions were adopted based on the experience analysis for the three-year period ending June 30, 2014.

For the 2014 measurement year, the assumed investment rate of return was also 7.5 percent, including an inflation rate of 3.0 percent and a real return of 4.5 percent. However, salary increases were assumed to vary by age.

Note 2. Illinois Municipal Retirement Fund – Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 Contribution Rate

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

Methods and Assumptions Used to Determine 2016 Contribution Rates:

Actuarial Cost Method:	Aggregate entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	27-year closed period until remaining period reaches 15 years (then 15-year rolling period).
Asset Valuation Method:	5-year smoothed market, 20% corridor
Wage Growth:	3.50%
Price Inflation:	2.75%, approximate; No explicit price inflation assumption is used in this valuation
Salary Increases:	3.75% to 14.50%, including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.

NOTES TO OTHER INFORMATION

Note 2. Illinois Municipal Retirement Fund – Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 Contribution Rate (cont.)

Mortality:

For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

There were no benefit changes during the year

ANNUAL FEDERAL FINANCIAL COMPLIANCE REPORT (COVER SHEET)
DISTRICT/JOINT AGREEMENT
Year Ending June 30, 2017

DISTRICT/JOINT AGREEMENT NAME Quincy Public School District No. 1	RCDT NUMBER 01-001-1720-22	CPA FIRM 9-DIGIT STATE REGISTRATION NUMBER 060-0002582	
ADMINISTRATIVE AGENT IF JOINT AGREEMENT (as applicable) Roy Webb		NAME AND ADDRESS OF AUDIT FIRM Zumbahlen, Eyth, Surratt, Foote & Flynn, Ltd. 1395 Lincoln Ave Jacksonville IL 62650	
ADDRESS OF AUDITED ENTITY (Street and/or P.O. Box, City, State, Zip Code) 1416 Maine Street Quincy IL 62301		E-MAIL ADDRESS: vflynn@zescpa.com	
		NAME OF AUDIT SUPERVISOR Valerie L. Flynn	
		CPA FIRM TELEPHONE NUMBER 217-245-5121	FAX NUMBER 217-243-3356

THE FOLLOWING INFORMATION MUST BE INCLUDED IN THE SINGLE AUDIT REPORT:

- ☒ A copy of the CPA firm's most recent peer review report and acceptance letter has been submitted to ISBE (either with the audit or under separate cover).
- ☒ Financial Statements including footnotes (Title 2 CFR §200.510 (a))
- ☒ Schedule of Expenditures of Federal Awards including footnotes (Title 2 CFR §200.510 (b))
- ☒ Independent Auditor's Report on the Financial Statements (Title 2 CFR §200.515 (a))
- ☒ Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Title 2 CFR §200.515 (b))
- ☒ Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance (Title 2 CFR §200.515 (c))
- ☒ Schedule of Findings and Questioned Costs (Title 2 CFR §200.515 (d))
- ☒ Summary Schedule of Prior Audit Findings (Title 2 CFR §200.511 (b))
- ☒ Corrective Action Plan (Title 2 CFR §200.511 (c))

THE FOLLOWING INFORMATION IS HIGHLY RECOMMENDED TO BE INCLUDED:

- ☐ A Copy of the Federal Data Collection Form (Title 2 CFR §200.512 (b))
- ☐ A Copy of each Management Letter

IF THE PAPER COPY OF THE AFR IS NOT THE SAME AS THE ELECTRONIC VERSION, PLEASE NOTIFY LESLIE CLAY AT LCLAY@ISBE.NET.

ZUMBAHLEN, EYTH, SURRATT, FOOTE & FLYNN, LTD

Certified Public Accountants

**CYNTHIA S. FOOTE, CPA
VALERIE L. FLYNN, CPA
ADAM R. WITHEE, CPA
SUZANNE M. STECKEL, CPA**

**1395 Lincoln Avenue
Jacksonville, Illinois 62650
217-245-5121
Fax: 217-243-3356
Email: staff@zescpa.com**

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ILLINOIS SOCIETY OF CPA
AMERICAN INSTITUTE OF CPA**

INDEPENDENT AUDITORS' 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

**Board of Education
Quincy Public School District No. 172
Quincy, 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 Quincy Public School District No. 172 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Quincy Public School District No. 172's basic financial statements and have issued our report thereon dated October 23, 2017. Our opinion was adverse because financial statements are not prepared in accordance with generally accepted accounting principles. However, the financial statements were found to be fairly stated, except for the effects of the omission of disclosures required by Governmental Accounting Standards Board Statement 45, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, on the cash basis of accounting, in accordance with regulatory reporting requirements established by the Illinois State Board of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Quincy Public School District No. 172'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 Quincy Public School District No. 172's internal control. Accordingly, we do not express an opinion on the effectiveness of Quincy Public School District No. 172'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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2017-001 through 2017-004 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Quincy Public School District No. 172'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-003.

Quincy Public School District No. 172's Response to Findings

Quincy Public School District No. 172's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Quincy Public School District No. 172'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 an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Zumballen, Eydt, Summitt, Footh & Flynn, Ltd

Jacksonville, Illinois
October 23, 2017

ZUMBAHLEN, EYTH, SURRATT, FOOTE & FLYNN, LTD

Certified Public Accountants

**CYNTHIA S. FOOTE, CPA
VALERIE L. FLYNN, CPA
ADAM R. WITHEE, CPA
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Education
Quincy Public School District No. 172
Quincy, Illinois

Report on Compliance for Each Major Federal Program

We have audited Quincy Public School District No. 172's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Quincy Public School District No. 172's major federal programs for the year ended June 30, 2017. Quincy Public School District No. 172's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Quincy Public School District No. 172's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Quincy Public School District No. 172's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Quincy Public School District No. 172's compliance.

Opinion on Each Major Federal Program

In our opinion, Quincy Public School District No. 172, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-006. Our opinion on each major federal program is not modified with respect to these matters.

Quincy Public School District No. 172's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Quincy Public School District No. 172's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Quincy Public School District No. 172 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Quincy Public School District No. 172's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Quincy Public School District No. 172's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-005 through 2017-007 that we consider to be material weaknesses.

Quincy Public School District No. 172's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Quincy Public School District No. 172's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Zundahlen, Eydt, Smutt, Focht + Flynn, Ltd.

Jacksonville, Illinois
October 23, 2017

Quincy Public School District No. 172
01-001-1720-22

RECONCILIATION OF FEDERAL REVENUES

Year Ending June 30, 2017

Annual Financial Report to Schedule of Expenditures of Federal Awards

TOTAL FEDERAL REVENUE IN AFR

Account Summary 7-8, Line 7	Account 4000	\$	8,539,441
Flow-through Federal Revenues			
Revenues 9-14, Line 112	Account 2200		-
Value of Commodities			
Indirect Cost Info 30, Line 11			328,786
Less: Medicaid Fee-for-Service			
Revenues 9-14, Line 271	Account 4992		(523,394)
AFR TOTAL FEDERAL REVENUES:		\$	8,344,833

ADJUSTMENTS TO AFR FEDERAL REVENUE AMOUNTS:

Reason for Adjustment:

Medicaid Administrative Assessment Not Included in AFR Revenue	\$	5,805

ADJUSTED AFR FEDERAL REVENUES \$ 8,350,638

Total Current Year Federal Revenues Reported on SEFA:
Federal Revenues Column D \$ 8,350,638

Adjustments to SEFA Federal Revenues:

Reason for Adjustment:

ADJUSTED SEFA FEDERAL REVENUE: \$ 8,350,638

DIFFERENCE: \$

Quincy Public School District No. 172

01-001-1720-22

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ending June 30, 2017

Federal Grantor/Pass-Through Grantor Subrecipients *	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract # ³ (B)	Receipts/Revenues		Expenditure/Disbursements ⁴				Obligations/ Encumb. (G)	Final Status (E)+(F)+(G) (H)	Budget (I)
			Year 7/1/15-6/30/16 (C)	Year 7/1/16-6/30/17 (D)	Year 7/1/15-6/30/16 (E)	Year 7/1/15-6/30/16 Pass through to Subrecipients	Year 7/1/16-6/30/17 (F)	Year 7/1/16-6/30/17 Pass through to Subrecipients			
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH DEPARTMENT OF											
Fresh Fruits and Vegetables	10.555	2016	90,367		90,367					90,367	N/A
Fresh Fruits and Vegetables	10.555	2017		108,958			108,958			108,958	N/A
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH ILLINOIS STATE BOARD OF EDUCATION											
Government Donated Commodities	10.555	2016	162,497		162,497					162,497	N/A
Government Donated Commodities	10.555	2017		219,828			219,828			219,828	N/A
Federal Lunch Program-FY16 Regular	10.555	16-4210-00	1,273,506	452,042	1,444,648		280,900			1,725,548	N/A
Federal Lunch Program-FY17 Regular	10.555	17-4210-00		1,458,428			1,464,396			1,464,396	N/A
Total CFDA 10.555			1,526,370	2,239,256	1,697,512	0	2,074,082	0	0	3,771,594	N/A
Federal Lunch Program-FY16 Breakfast	10.553	16-4220-00	382,696	131,873	435,400		79,169			514,569	N/A
Federal Lunch Program-FY17 Breakfast	10.553	17-4220-00		438,627			441,381			441,381	N/A
Total CFDA 10.553			382,696	571,500	435,400	0	520,550	0	0	955,950	N/A
Summer Food Service Program	10.559	16-4225-00		61,528	39,039		22,489			61,528	N/A
Summer Food Service Program	10.559	17-4225-00					43,844			43,844	N/A
Total CFDA 10.559			0	61,528	39,039	0	66,333	0	0	105,372	N/A
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,909,066	2,872,284	2,171,951	0	2,660,965	0	0	4,832,916	N/A

* (M) Program was audited as a major program as defined by §200.518.

* NEW - Also include the total amount provided to subrecipients from each Federal program. §200.510 (b)(4)

The accompanying notes are an integral part of this schedule.

¹ To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented, they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

² When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

³ When awards are received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included in the schedule. §200.510 (b)(2)
⁴ The Uniform Guidance requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in the schedule and suggests to include the amounts in the SEFA notes.

Quincy Public School District No. 172

01-001-1720-22

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ending June 30, 2017

Federal Grantor/Pass-Through Grantor Subrecipients *	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract # (B)	Receipts/Revenues		Expenditure/Disbursements ⁴				Obligations/ Encumb. (G)	Final Status (E)+(F)+(G) (H)	Budget (I)
			Year 7/1/15-6/30/16 (C)	Year 7/1/16-6/30/17 (D)	Year 7/1/15-6/30/16 (E)	Year 7/1/15-6/30/16 Pass through to Subrecipients (F)	Year 7/1/16-6/30/17 Pass through to Subrecipients (F)	Year 7/1/16-6/30/17 Pass through to Subrecipients (F)			
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH ILLINOIS STATE BOARD OF EDUCATION											
Title I-Low Income (\$117 Prepayment)	84.010A	16-4300-00	1,798,756	379,944	2,031,788		148,029			2,179,817	2,329,869
Title I-Low Income	84.010A	17-4300-00		1,775,746			1,868,694			1,868,694	2,473,556
Title I-Neglected Private	84.010A	16-4305-00	54,979	8,698	50,311		13,366			63,677	68,880
Title I-Neglected Private	84.010A	17-4305-00		48,790			49,931			49,931	67,167
Title I-Delinquent Private	84.010A	16-4306-00	48,275	14,261	56,017		6,519			62,536	68,440
Title I-Delinquent Private	84.010A	17-4306-00		50,996			55,994			55,994	62,804
Total CFDA 84.010A (M)			1,903,010	2,278,435	2,138,116	0	2,142,533	0	0	4,280,649	5,070,816
Title IV-21st Century Community Learning Centers	84.287C	16-4421-15	178,222	93,069	227,020		42,271			269,291	269,655
Title IV-21st Century Community Learning Centers	84.287C	17-4421-15		144,604			214,477			214,477	269,655
Total CFDA 84.287C			178,222	237,673	227,020	0	256,748	0	0	483,768	539,310
Title II-Teacher Quality	84.367A	16-4932-00	98,440	28,921	108,297		17,065			125,362	130,080
Title II-Teacher Quality	84.367A	17-4932-00		6,848			5,533			5,533	19,389
Total CFDA 84.367A			98,440	35,769	108,297	0	22,598	0	0	130,895	149,469
Fed. Sp. Ed. IDEA Room and Board	84.027A	16-4625-00	81,448	38,905	88,916		31,437			120,353	N/A
Fed. Sp. Ed. IDEA Room and Board	84.027A	17-4625-00		64,840			141,080			162,831	N/A
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH SPECIAL EDUCATION ASSOCIATION OF ADAMS COUNTY											
Fed. Sp. Ed. IDEA Flow-Through	84.027A	16-4620-00	211,767	159,227	288,415		82,579			370,994	527,025
Fed. Sp. Ed. IDEA Flow-Through	84.027A	17-4620-00		271,242			335,671			335,671	537,783
Total CFDA 84.027A (M)			293,215	534,014	377,331	0	590,767	0	21,751	989,849	1,064,808

* (M) Program was audited as a major program as defined by §200.518.

* NEW - Also include the total amount provided to subrecipients from each Federal program. \$200.510 (b)(4)

The accompanying notes are an integral part of this schedule.

¹ To meet state or other requirements, addressees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented, they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

² When the CFDA number is not available, the addressee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

³ When awards are received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included in the schedule. §200.510 (b)(2)

⁴ The Uniform Guidance requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in the schedule and suggests to include the amounts in the SEFA notes.

Quincy Public School District No. 172
01-001-1720-22
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2017

Federal Grantor/Pass-Through Grantor Subrecipients *	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract # ³ (B)	Receipts/Revenues		Expenditure/Disbursements ⁴		Obligations/ Encumb. (G)	Final Status (E)/(F)/(G) (H)	Budget (I)
			Year 7/1/15-6/30/16 (C)	Year 7/1/16-6/30/17 (D)	Year 7/1/15-6/30/16 Pass through to Subrecipients (E)	Year 7/1/15-6/30/16 Pass through to Subrecipients (F)			
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH SPECIAL EDUCATION ASSOCIATION OF ADAMS COUNTY									
Fed. Sp. Ed. Preschool Flow-Through	84.173	16-4600-00	18,649	74,091	83,454	9,286		92,740	92,740
Fed. Sp. Ed. Preschool Flow-Through	84.173	17-4600-00		68,438		92,266		92,266	92,740
Total CFDA 84.173A (M)			18,649	142,529	83,454	101,562	0	185,006	185,480
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH ILLINOIS DEPARTMENT OF HUMAN SERVICES									
Rehabilitation Services-STEP	84.126	46CUD00009	53,091		53,091			53,091	53,091
Rehabilitation Services-STEP	84.126	46CVD00009		49,994		49,994		49,994	49,994
Total CFDA 84.126			53,091	49,994	53,091	49,994	0	103,085	103,085
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH ILLINOIS STATE UNIVERSITY									
Illinois Partnership Advancing Rigorous Training Grant	84.363	A14-0017-S002	67,206	49,369	85,792	30,783		116,575	116,590
Illinois Partnership Advancing Rigorous Training Grant	84.363	A14-0017-S002		66,148		85,043		85,043	113,000
Total CFDA 84.363			67,206	115,517	85,792	115,826	0	201,618	229,590
TOTAL U.S. DEPARTMENT OF EDUCATION			2,607,833	3,393,931	3,073,101	3,280,018	0	6,374,870	7,342,558
								0	0

• (M) Program was audited as a major program as defined by §200.518.

• NEW - Also include the total amount provided to subrecipients from each Federal program. §200.510 (b)(4).

The accompanying notes are an integral part of this schedule.

¹ To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented, they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

² When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

³ When awards are received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included in the schedule. §200.510 (b)(2)

⁴ The Uniform Guidance requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in the schedule and suggests to include the amounts in the SEFA notes.

Year Ending June 30, 2017

[illegible]

- (M) Program was audited as a major program as defined by §200.518.

* NEW - Also include the total amount provided to subrecipients from each Federal program. \$200,510 (b)(4)

The accompanying notes are an integral part of this schedule.

To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented, they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

When the CFDA number is not available, the addressee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

When awards are received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included in the schedule. \$200,510 (b)(2)

The Uniform Guidance requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in the schedule and suggests to include the amounts in the SEFA notes.

Quincy Public School District No. 172

01-001-1720-22

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

Year Ending June 30, 2017

Note 1: Basis of Presentation⁵

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Quincy Public School District No. 172 and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Indirect Facilities & Administration costs⁶

Auditee elected to use 10% de minimis cost rate? _____ YES _____ X NO

Note 3: Subrecipients

Of the federal expenditures presented in the schedule, Quincy Public School District No. 172 provided federal awards to subrecipients as follows:

Program Title/Subrecipient Name	Federal CFDA Number	Amount Provided to Subrecipient
N/A		

Note 4: Non-Cash Assistance

The following amounts were expended in the form of non-cash assistance by Quincy Public School District No. 172 and are included in the Schedule of Expenditures of Federal Awards:

NON-CASH COMMODITIES (CFDA 10.555)**:	<u>\$328,786</u>	
OTHER NON-CASH ASSISTANCE	<u>\$0</u>	Total Non-Cash \$328,786

Note 5: Other Information

Insurance coverage in effect paid with Federal funds during the fiscal year:

Property	<u>\$0</u>
Auto	<u>\$0</u>
General Liability	<u>\$0</u>
Workers Compensation	<u>\$0</u>
Loans/Loan Guarantees Outstanding at June 30:	<u>\$0</u>
District had Federal grants requiring matching expenditures	<u>Yes</u>
	(Yes/No)

** The amount reported here should match the value reported for non-cash Commodities on the Indirect Cost Rate Computation page.

⁵ This note is included to meet the Uniform Guidance requirement that the schedule include notes that describe the significant accounting policies used in preparing the schedule. (§200.510 (b)(6))

⁶ The Uniform Guidance requires the Schedule of Expenditures of Federal Awards to note whether or not the auditee elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs. §200.510 (b)(6)

QUINCY PUBLIC SCHOOL DISTRICT NO. 172
01-001-1720-22
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)
Year Ended June 30, 2017

Note 6: Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements-Expenditures

Total expenditures per schedule of expenditures of federal awards	\$ 7,906,282
Medicaid administrative assessment not reported in financial statements	(6,290)
Government donated commodities not reported in financial statements	<u>(328,786)</u>
Total federal expenditures per statement of revenues received, expenditures disbursed, other financing sources (uses) and changes in fund balance	<u>\$ 7,571,206</u>

Note 7: Reconciliation of "Final Status" Column

7/1/15-6/30/16 Expenditures Per SEFA	\$ 7,164,368
7/1/16-6/30/17 Expenditures Per SEFA	7,906,282
Obligations Per SEFA	218,446
7/1/14-6/30/15 Expenditures Not On SEFA (Head Start, 05CH4139/49, CFDA 93.600)	<u>1,559,728</u>
FINAL STATUS PER SEFA	<u>\$ 16,848,824</u>

Quincy Public School District No. 172
01-001-1720-22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Adverse
(Unmodified, Qualified, Adverse, Disclaimer)

INTERNAL CONTROL OVER FINANCIAL REPORTING:

- Material weakness(es) identified? X YES None Reported
- Significant Deficiency(s) identified that are not considered to be material weakness(es)? YES X None Reported
- Noncompliance material to the financial statements noted? YES X NO

FEDERAL AWARDS

INTERNAL CONTROL OVER MAJOR PROGRAMS:

- Material weakness(es) identified? X YES None Reported
- Significant Deficiency(s) identified that are not considered to be material weakness(es)? YES X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified
(Unmodified, Qualified, Adverse, Disclaimer⁷)

Any audit findings disclosed that are required to be reported in accordance with §200.516 (a)? X YES NO

IDENTIFICATION OF MAJOR PROGRAMS:⁸

CFDA NUMBER(S) ⁹	NAME OF FEDERAL PROGRAM or CLUSTER ¹⁰	AMOUNT OF FEDERAL PROGRAM
84.010	Title I, Part A	2,142,533
84.027, 84.173	Special Education Cluster	692,319
93.600	Head Start	1,808,059
	Total Amount Tested as Major	\$4,642,911

Total Federal Expenditures for 7/1/16-6/30/17

\$7,888,381

% tested as Major

58.86%

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00

Auditee qualified as low-risk auditee? YES X NO

⁷ If the audit report for one or more major programs is other than unmodified, indicate the type of report issued for each program.
Example: "Unmodified for all major programs except for [name of program], which was modified and [name of program], which was a disclaimer."

⁸ Major programs should generally be reported in the same order as they appear on the SEFA.

⁹ When the CFDA number is not available, include other identifying number, if applicable.

¹⁰ The name of the federal program or cluster should be the same as that listed in the SEFA. For clusters, auditors are only required to list the name of the cluster.

Quincy Public School District No. 172
01-001-1720-22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2017- 001 2. THIS FINDING IS: ☐ New ☒ Repeat from Prior Year?
Year originally reported? 2004

3. Criteria or specific requirement

The Illinois State Board of Education requires that districts maintain their accounting records in accordance with 23 Illinois Administrative Code Part 100, "Requirements for Accounting, Budgeting, Financial Reporting and Auditing."

4. Condition

Various revenues and expenditures were misclassified by fund, function (Instruction, Special Education, etc.) and object (Purchased Services, Non-Capitalized Equipment, etc.)

5. Context¹²

Misclassifications requiring adjustment were noted during the audit.

6. Effect

Various revenues and expenditures were reclassified during the audit in order to comply with the Administrative Code requirements.

7. Cause

Revenues and expenditures are not being coded to proper funds or account numbers in accordance with the Administrative Code.

8. Recommendation

The District should closely monitor financial reports in order to determine that revenues and expenditures are being classified to the correct fund and accounts.

9. Management's response¹³

The District will continue to increase efforts to ensure that revenues and expenditures are classified in accordance with Administrative Code requirements. Financial detail will be periodically reviewed for proper account coding.

For ISBE Review

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

¹¹ A suggested format for assigning reference numbers is to use the 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 2017 would be assigned a reference number of 2017-001, 2017-002, 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.

Quincy Public School District No. 172
01-001-1720-22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2017- 002 2. THIS FINDING IS: ☐ New ☒ Repeat from Prior Year?
Year originally reported? 2012

3. Criteria or specific requirement

Internal controls should allow for segregation of duties between Quincy Public School District No. 172 and the Special Education Association of Adams County.

4. Condition

Duties regarding grant expenditures/reporting of Quincy Public School District No. 172 and the Special Education Association of Adams County are being performed by the same personnel.

5. Context¹²

There is no segregation of duties with regards to the District preparing grant expenditure reports to be submitted to the Association for reimbursement and the Association reviewing those expenditure reports for accuracy and completeness before reimbursing the District.

6. Effect

Reimbursements received by Quincy Public School District No. 172 from the Special Education Association and the corresponding expenditures claimed are regularly inaccurate and/or untimely, resulting in restricted grant balances and/or unallowed expenditures to be repaid to the State of Illinois.

7. Cause

The Association personnel responsible for determining the amount of reimbursable special education IDEA grant expenditures of Quincy Public School District No. 172 are the same personnel responsible for disbursing the grant monies to the District.

8. Recommendation

Personnel preparing the grant expenditure reports on behalf of Quincy Public School District No. 172 should be separate from the Special Education Association of Adams County personnel reviewing those expenditure reports for accuracy and completeness, and distributing the grant funds. Additionally, expenditure reports should be filed on a timely, periodic basis in order to more easily identify reimbursable expenditures and correct any previous errors.

9. Management's response¹³

Both the District and the Association continue to work to segregate duties as much as possible between the entities in order to ensure oversight, accuracy and timeliness of grant reporting.

For ISBE Review

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

¹¹ A suggested format for assigning reference numbers is to use the 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 2017 would be assigned a reference number of 2017-001, 2017-002, 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.

Quincy Public School District No. 172
01-001-1720-22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2017- 003 2. THIS FINDING IS: ☐ New ☒ Repeat from Prior Year?
Year originally reported? 2016

3. Criteria or specific requirement

Internal controls should be in place to monitor and limit expenditures within approved budget guidelines.

4. Condition

Actual expenditures were allowed to exceed budgeted expenditures.

5. Context¹²

The District had actual expenditures in excess of budget in the Debt Service Fund. Actual expenditures exceeded budget by \$525,803.

6. Effect

The District exceeded budget in the Debt Service Fund due to debt issuance costs.

7. Cause

The District did not include expenses associated with debt issuance costs in the expenditure section of the Debt Service Fund. Therefore, the District did not amend the budget to include the debt issuance fees in order to remain within budget guidelines.

8. Recommendation

The District should review a comparison of actual expenditures to budgeted expenditures throughout the year. If the District will exceed the adopted budget, the Board should amend the budget by the same procedures required of its original adoption.

9. Management's response¹³

The District will monitor actual expenditures in relation to budget more closely in the future, and if the budget will be exceeded, the Board will amend the budget by the same procedures required of its original adoption.

For ISBE Review

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

¹¹ A suggested format for assigning reference numbers is to use the 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 2017 would be assigned a reference number of 2017-001, 2017-002, 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.

Quincy Public School District No. 172
01-001-1720-22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2017- 004 2. THIS FINDING IS: ☒ New ☐ Repeat from Prior Year?
Year originally reported? _____

3. Criteria or specific requirement

Internal controls should allow for the segregation of duties for certain cash and investments, including the bank reconciliation function and review thereof.

4. Condition

Cash and investment bank reconciliations should be reviewed timely for accuracy by someone independent of their completion.

5. Context¹²

Cash and investment reconciliations completed by the Treasurer and are not being reviewed by other District accounting staff.

6. Effect

A number of reconciling items, such as old outstanding checks, have not been investigated as to why they continue to appear on the reconciliation. Such items should be voided and reissued or forwarded to the State of Illinois unclaimed property division.

7. Cause

Self-review of the completed bank reconciliation has not resulted in the questioning of reconciling items, leading to their investigation and ultimate resolution.

8. Recommendation

Bank reconciliations should be completed for all accounts by District bookkeeping staff familiar with the accounting records. These completed bank reconciliations should be reviewed by the Treasurer. Any old or unusual reconciling items should be questioned and resolved during the review process.

9. Management's response¹³

The District will work to segregate the duties of bank reconciliation completion and review in order to more closely monitor cash and investment accounts for accuracy and to resolve any unusual reconciling items in a timely manner.

For ISBE Review

Date: _____

Resolution Criteria Code Number _____

Initials: _____

Disposition of Questioned Costs Code Letter _____

¹¹ A suggested format for assigning reference numbers is to use the 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 2017 would be assigned a reference number of 2017-001, 2017-002, 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.

Quincy Public School District No. 172
01-001-1720-22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2017

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ 2017- 005 2. THIS FINDING IS: ☐ New ☒ Repeat from Prior year?
Year originally reported? 2015

3. Federal Program Name and Year: 2017 Special Education Cluster

4. Project No.: 4600, 4620, 4625 5. CFDA No.: 84.027, 84.173

6. Passed Through: Special Education Association of Adams County

7. Federal Agency: U.S. Department of Education

8. Criteria or specific requirement (including statutory, regulatory, or other citation)
See Finding 2017-002

9. Condition¹⁵

10. Questioned Costs¹⁶
N/A

11. Context¹⁷

12. Effect

13. Cause

14. Recommendation

15. Management's response¹⁸

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

¹⁴ See footnote 11.

¹⁵ Include facts that support the deficiency identified on the audit finding (§200.516 (b)(3)).

¹⁶ Identify questioned costs as required by §200.516 (a)(3 - 4).

¹⁷ See footnote 12.

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

Quincy Public School District No. 172
01-001-1720-22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2017

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ 2017- 006 2. THIS FINDING IS: ☒ New ☐ Repeat from Prior year?
Year originally reported? _____

3. Federal Program Name and Year: 2016 Federal Special Ed. Preschool Flow-Through

4. Project No.: 16-4600-00 5. CFDA No.: 84.173

6. Passed Through: Special Education Association of Adams County

7. Federal Agency: U.S. Department of Education

8. Criteria or specific requirement (including statutory, regulatory, or other citation)
Internal controls should be in place to monitor and limit expenditures to approved budget guidelines.

9. Condition¹⁵
Claimed and reimbursed grant expenditures were allowed to exceed budgeted expenditures.

10. Questioned Costs¹⁶
\$9,286

11. Context¹⁷
The District claimed salary and benefit expenses in excess of budget of \$9,286.

12. Effect
The District received reimbursements in excess of allowable costs of \$9,286.

13. Cause
The District did not closely monitor budgeted expenditures compared to actual, resulting in the failure to amend the grant budget to include otherwise allowable, incurred costs.

14. Recommendation
The District should closely monitor actual expenditures in relation to approved grant budgeted expenditures. If the budget will be exceeded, the District should amend the grant budget to include the additional costs.

15. Management's response¹⁸
The District will closely monitor actual expenditures in relation to approved grant budgeted expenditures. If the budget will be exceeded, the District should amend the grant budget to include the additional costs.

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

¹⁴ See footnote 11.

¹⁵ Include facts that support the deficiency identified on the audit finding (§200.516 (b)(3)).

¹⁶ Identify questioned costs as required by §200.516 (a)(3 - 4).

¹⁷ See footnote 12.

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

Quincy Public School District No. 172
01-001-1720-22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2017

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ 2017- 007 2. THIS FINDING IS: ☒ New ☐ Repeat from Prior year?
Year originally reported? _____

3. Federal Program Name and Year: 2016 Federal Special Ed. IDEA Flow-Through

4. Project No.: 16-4620-00 5. CFDA No.: 84.027A

6. Passed Through: Special Education Association of Adams County

7. Federal Agency: U.S. Department of Education

8. Criteria or specific requirement (including statutory, regulatory, or other citation)
Grant reimbursement requests should be limited to approved expenditures which have actually been disbursed during the grant period.

9. Condition¹⁵
Grant reimbursements were received in excess of actual costs incurred.

10. Questioned Costs¹⁶
\$51,801

11. Context¹⁷
The District filed expenditure reports based on amounts from a software-generated report. The report included amounts for "budget revisions" which did not represent actual expenditures incurred and were not included in the annual expense total in the District's general ledger. However, these amounts were in fact claimed for reimbursement.

12. Effect
The District has received excess reimbursement of \$51,801 for costs not actually incurred but claimed for reimbursement.

13. Cause
The District did not carefully inspect the backup documentation used for the substantiation of grant expenditure reporting to determine that the report accurately reflected costs incurred.

14. Recommendation
The District should carefully prepare grant expenditure reports based on general ledger accounting detail and reconcile that detail to the expenditures claimed for reimbursement, making sure to only claim costs actually incurred.

15. Management's response¹⁸
The District will carefully prepare grant expenditure reports based on general ledger detail in order to claim only those costs actually incurred and allowable within the grant.

For ISBE Review

Date: _____

Resolution Criteria Code Number _____

Initials: _____

Disposition of Questioned Costs Code Letter _____

¹⁴ See footnote 11.

¹⁵ Include facts that support the deficiency identified on the audit finding (§200.516 (b)(3)).

¹⁶ Identify questioned costs as required by §200.516 (a)(3 - 4).

¹⁷ See footnote 12.

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

Quincy Public School District No. 172
01-001-1720-22
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS¹⁹
Year Ending June 30, 2017

[If there are no prior year audit findings, please submit schedule and indicate **NONE**]

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status²⁰</u>
2016-001	Various revenues and expenditures were misclassified by fund, function and object	See Finding 2017-001
2016-002	Duties regarding grant expenditures/reporting of Quincy Public School District No. 172 and the Special Education Association of Adams County are being performed by the same personnel.	See Finding 2017-002
2016-004		See Finding 2017-005
2016-003	Actual expenditures were allowed to exceed budgeted expenditures.	See Finding 2017-003

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

¹⁹ Explanation of this schedule - §200.511 (b)

²⁰ Current Status should include one of the following:

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

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

Finding 2017-001:

Condition: Various revenues and expenditures were misclassified by fund, function and object.

Plan: The District will continue to increase efforts to ensure that revenues and expenditures are classified in accordance with Administrative Code requirements. Financial detail will be periodically reviewed for proper account coding.

Anticipated Date of Completion: Ongoing

Name of Contact Person: Roy Webb, Superintendent

Finding 2017-002 and 2017-005:

Condition: Duties regarding grant expenditures/reporting of Quincy Public School District No. 172 and the Special Education Association of Adams County are being performed by the same personnel.

Plan: The District and the Association should appoint separate individuals within each entity to process expenditure reports and reimbursement requests in order to better segregate duties between these areas.

Anticipated Date of Completion: In Process

Name of Contact Person: Roy Webb, Superintendent

Finding 2017-003:

Condition: Actual expenditures were allowed to exceed budgeted expenditures.

Plan: The District will monitor actual expenditures in relation to budget, and if the budget will be exceeded, the Board will amend the budget by the same procedures required of its original adoption.

Anticipated Date of Completion: Ongoing

Name of Contact Person: Roy Webb, Superintendent

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS (continued)

Finding 2017-004:

Condition: Cash and investment bank reconciliations should be reviewed timely for accuracy by someone independent of their completion.

Plan: The District will work to segregate the duties of bank reconciliation completion and review in order to more closely monitor cash and investment accounts for accuracy and to resolve any unusual reconciling items in a timely manner.

Anticipated Date of Completion: 12/31/17

Name of Contact Person: Roy Webb, Superintendent

Finding 2017-006:

Condition: Claimed and reimbursed grant expenditures were allowed to exceed budgeted expenditures.

Plan: The District will closely monitor actual expenditures in relation to approved grant budgeted expenditures. If the budget will be exceeded, the District should amend the grant budget to include the additional costs.

Anticipated Date of Completion: Ongoing

Name of Contact Person: Roy Webb, Superintendent

Finding 2017-007:

Condition: Grant reimbursements were received in excess of actual costs incurred.

Plan: The District will carefully prepare grant expenditure reports based on general ledger detail in order to claim only those costs actually incurred and allowable within the grant.

Anticipated Date of Completion: Ongoing

Name of Contact Person: Roy Webb, Superintendent