

**VILLAGE OF QUINCY  
BRANCH COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**MARCH 31, 2016**

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## **INDEPENDENT AUDITOR'S REPORT**

**Village Council  
Village of Quincy  
Branch County, Michigan**

**August 22, 2016**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Quincy, Michigan as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Village'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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Village of Quincy as of March 31, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedules, listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management, about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Quincy, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purpose 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated August 22, 2016, on our consideration of the Village of Quincy, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions or 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 Village of Quincy, Michigan's internal control over financial reporting and compliance.

*Taylor, Plant & Watkins, P.C.*

**TAYLOR, PLANT & WATKINS, P.C.  
COLDWATER, MICHIGAN**

**VILLAGE OF QUINCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Village of Quincy's financial performance provides an overview of the Village's financial activities for the fiscal year ended March 31, 2016. Please read it in conjunction with the Village's financial statements.

**Financial Highlights**

The following represents the most significant financial highlights for the year ended March 31, 2016:

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$4,070,448 (net assets). Of this amount, \$600,505 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total net position decreased by \$190,866. The decrease is due to the increase of Public works and Recreation and cultural expenses.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$298,600, a decrease of \$199,040 in comparison with the prior year. Approximately 76% of the fund balance, or \$228,279, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$228,279 or 20% of total general fund expenditures.
- The Village received Capital Improvement Bonds in relation to sewer and parks projects in progress during the year, and the Village's total debt increased by \$2,140,403.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting to measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the Government-Wide financial statements by providing information about the Village's most significant funds.

## VILLAGE OF QUINCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

**Government-Wide Financial Statements** – Government-wide financial statements begin on page 10 and provide readers with a broad overview of the finances of the Village as a whole, in a manner similar to a private sector business, distinguishing functions of the Village that are principally supported by taxes and intergovernmental revenues (referred to as “governmental activities”) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as “business-type activities”). These statements present a longer-term view using the accrual basis of accounting, which requires that revenues are reported when they are earned and expenses are reported when incurred. They measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services. The statements include a Statement of Net Position and Statement of Activities.

The Statement of Net Position presents information on all of the Village’s assets and liabilities, with the difference between the two reported as net position. The Statement of Activities reports the current year’s revenues and expenses and how the Village’s net position changed during the year. Over time, increases or decreases in net position can serve as one indicator of the financial position of the Village. Other indicators include factors such as changes in the Village’s property tax base and the condition of the Village’s roads and other infrastructure.

**Fund Financial Statements** – The fund financial statements begin on page 12 and present more detailed information about the Village’s most significant funds, not the Village as a whole. The fund financial statements present a short-term view, using a modified accrual basis of accounting, and tell us how the taxpayers’ resources were spent during the year as well as how much is available for future spending. Funds are accounting tools the Village uses to keep track of specific sources of funding and spending for particular purposes. The Village’s major funds include the General Fund and the Major Streets Fund. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** account for most, if not all, of a government’s tax-supported functions. They are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.
- **Proprietary funds** account for a government’s business-type activities, where all or part of the cost of activities are supported by fees and charges that are paid by those who benefit from the activities. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements.
- **Fiduciary funds** account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to finance the Village’s operations. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village’s own programs.



# VILLAGE OF QUINCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided and are an integral part of the government-wide and fund financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning budgetary comparisons of the General Fund, as well as other supplementary information.

### The Village as a Whole

The following table shows, in condensed format, the net position as of the current date as required by GASB 34 stated under the full accrual basis compared to prior year:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Assets</b>						
Current and other assets	\$ 313,116	\$ 514,125	\$ 1,273,629	\$ 270,178	\$ 1,586,745	\$ 784,303
Capital assets	<u>1,835,579</u>	<u>1,552,686</u>	<u>4,697,635</u>	<u>3,048,627</u>	<u>6,533,214</u>	<u>4,601,313</u>
Total assets	2,148,695	2,066,811	5,971,264	3,318,805	8,119,959	5,385,616
<b>Liabilities</b>						
Long-term debt outstanding	643,403	255,000	2,578,000	826,000	3,221,403	1,081,000
Other liabilities	<u>14,516</u>	<u>16,485</u>	<u>813,592</u>	<u>26,817</u>	<u>828,108</u>	<u>43,302</u>
Total liabilities	657,919	271,485	3,391,592	852,817	4,049,511	1,124,302
<b>Net Position</b>						
Investment in capital assets- Net of related debt	1,192,176	1,297,686	2,119,635	2,222,627	3,311,811	3,520,313
Restricted	56,082	185,820	102,050	60,000	158,132	245,820
Unrestricted	<u>242,518</u>	<u>311,820</u>	<u>357,987</u>	<u>183,361</u>	<u>600,505</u>	<u>495,181</u>
Total net position	<u>\$ 1,490,776</u>	<u>\$ 1,795,326</u>	<u>\$ 2,579,672</u>	<u>\$ 2,465,988</u>	<u>\$ 4,070,448</u>	<u>\$ 4,261,314</u>

# VILLAGE OF QUINCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

The following table shows, in condensed format, the changes of net position as of the current date as required by GASB 34 stated under full accrual basis:

	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 158,630	\$ 149,906	\$ 814,736	\$ 709,060
Operating grants and contributions	-	-	23,239	-
Capital grants and contributions	-	-	-	-
General revenues:				
Property taxes	396,816	395,360	-	-
State shared revenues	322,011	313,674	-	-
Unrestricted investment earnings	386	348	-	-
Rental Income	67,427	82,265	-	-
Sale of land	-	61,477	-	-
Other	62,152	34,435	294	332
Total revenues	1,007,422	1,037,465	838,269	709,392
<b>Expenses</b>				
General government	373,146	377,881	-	-
Public safety	244,443	214,967	-	-
Public works	575,000	465,088	-	-
Recreation and cultural	34,857	9,712	-	-
Interest	10,859	15,050	-	-
Water	-	-	499,227	487,758
Waste water	-	-	299,025	304,870
Total expenses	1,238,305	1,082,698	798,252	792,628
<b>Change in net positon before transfers</b>	(230,883)	(45,233)	40,017	(83,236)
Transfers	(73,667)	24,475	73,667	(24,475)
<b>Change in net position (decrease)</b>	<u>\$ (304,550)</u>	<u>\$ (20,758)</u>	<u>\$ 113,684</u>	<u>\$ (107,711)</u>

## VILLAGE OF QUINCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

#### **Governmental Funds**

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

At the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$298,600, a decrease of \$199,040 in comparison with prior year. Approximately 76 percent of this total amount (\$228,279) constitutes unassigned fund balance. Approximately 19 percent (\$56,082) of the ending fund balance is restricted. The remainder of fund balance is nonspendable to indicate that it is not available for new spending because it has already been committed for prepaid items.

The fund balance of the Village's general fund decreased by \$69,302 during the current fiscal year. This decrease is due to large transfers to both the Debt Fund to make debt payments and the Water Fund to assist in projects throughout the year.

The major street fund has a total fund balance of \$4,212, a decrease of \$147,554 during the year. The decrease is due to a large project of maintenance on street system as well as paving completed in current year. The major street fund also transferred a large amount to the local streets fund to assist in street projects.

The local street fund had an increase in the fund balance of \$26,478, during the year for an ending fund balance of \$49,365. The increase is due to road maintenance project expenses being covered by a transfer from both the major streets fund and the municipal streets fund.

The municipal streets fund has a total fund balance of \$2,505, with a decrease of \$8,662 during the current year. The decrease is due to a larger transfer than previous years to local streets to cover street project expenses.

#### **Enterprise Funds**

Unrestricted net position of the waste water and water enterprise funds at the end of the year amounted to \$229,449 and \$128,538, respectively. The waste water fund had an increase of \$121,132 and the water fund had a decrease of \$7,448 in net position during the year.

#### **Capital Asset and Debt Administration**

The Village's investment in capital assets for its governmental and business-type activities as of March 31, 2016, amounted to \$6,533,214 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads and highways.

## VILLAGE OF QUINCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

#### **Long-term debt**

At the end of the current fiscal year, the Village had bonded debt and notes payable outstanding of \$3,221,403. The Village's debt increased by \$2,140,403 during the current fiscal year. State statutes limit the amount of general obligation debt which for the Village currently is \$193,403, a governmental entity may issue to 10 percent of its total taxable valuation. The current debt limitation for the Village is \$2,744,058, which is significantly in excess of the Village's outstanding general obligation debt.

#### **Economic Factors, Next Year's Budgets and Rates**

The following factors were considered in preparing the Village's budget for the 2016 – 2017 fiscal year:

- Projections of commercial, industrial, and residential growth potential.
- Economic indicators for the region and local development projects currently proposed and or underway.
- Projected staff and capital improvement projects by the Village.
- Available taxing, bonding and grant resources.

#### **Contacting the Village's Management**

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information should be addressed to:

Eric Zuzga, Village Manager  
Village of Quincy  
47 Cole Street  
Quincy, MI 49082  
517-639-9065

**VILLAGE OF QUINCY**  
**STATEMENT OF NET POSITION**  
**MARCH 31, 2016**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and investments	\$ 230,672	\$ 185,740	\$ 416,412	\$ 22,300
Accounts receivable	12,765	908,606	921,371	-
Inventory	-	63,577	63,577	-
Due from other governmental units	55,440	-	55,440	3,210
Due from others	-	1,525	1,525	-
Prepaid expenses	14,239	12,131	26,370	-
Restricted assets - Cash	-	102,050	102,050	-
Capital assets, less accumulated depreciation	1,835,579	4,697,635	6,533,214	-
Total assets	2,148,695	5,971,264	8,119,959	25,510
<b>LIABILITIES</b>				
Accounts payable	12,593	808,972	821,565	-
Accrued expenditures	398	4,620	5,018	-
Due to others	1,525	-	1,525	3,210
Long term liabilities:				
Bonds payable, due within one year	173,880	63,000	236,880	-
Bonds and notes payable, due in more than one year	469,523	2,515,000	2,984,523	-
Total liabilities	657,919	3,391,592	4,049,511	3,210
<b>NET POSITION</b>				
Investment in capital assets - net of related debt	1,192,176	2,119,635	3,311,811	-
Restricted	56,082	102,050	158,132	22,300
Unrestricted	242,518	357,987	600,505	-
Total net position	<u>\$ 1,490,776</u>	<u>\$ 2,579,672</u>	<u>\$ 4,070,448</u>	<u>\$ 22,300</u>

See Notes to Financial Statements

# VILLAGE OF QUINCY

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating / Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Governmental activities:</b>								
General government	\$ 373,146	\$ 158,630	\$ -	\$ -	\$ (214,516)	\$ -	\$ (214,516)	\$ -
Public safety	244,443	-	-	-	(244,443)	-	(244,443)	-
Public works	575,000	-	-	-	(575,000)	-	(575,000)	-
Recreation and cultural	34,857	-	-	-	(34,857)	-	(34,857)	-
Interest	10,859	-	-	-	(10,859)	-	(10,859)	-
Total governmental activities	1,238,305	158,630	-	-	(1,079,675)	-	(1,079,675)	-
<b>Business-type activities:</b>								
Water	499,227	417,943	-	-	-	(81,284)	(81,284)	-
Waste Water	299,025	396,793	23,239	-	-	121,007	121,007	-
Total business-type activities	798,252	814,736	23,239	-	-	39,723	39,723	-
Total primary government	\$ 2,036,557	\$ 973,366	\$ 23,239	\$ -	(1,079,675)	39,723	(1,039,952)	-
<b>Component units:</b>								
Downtown Development Authority	\$ 34,729	\$ -	\$ -	\$ -	-	-	-	(34,729)
Brownfield Redevelopment Authority	-	-	-	-	-	-	-	-
Total component units	\$ 34,729	\$ -	\$ -	\$ -	-	-	-	(34,729)
<b>General revenues:</b>								
Property taxes					396,816	-	396,816	30,040
State shared revenues					322,011	-	322,011	-
Unrestricted investment earnings					386	-	386	-
Rental Income					67,427	-	67,427	-
Miscellaneous					62,152	294	62,446	-
Transfers - internal balances					(73,667)	73,667	-	-
Total general revenues and transfers					775,125	73,961	849,086	30,040
<b>Change in Net Position</b>					(304,550)	113,684	(190,866)	(4,689)
<b>Net Position - Beginning</b>					1,795,326	2,465,988	4,261,314	26,989
<b>Net Position - Ending</b>					\$ 1,490,776	\$ 2,579,672	\$ 4,070,448	\$ 22,300

See Notes to Financial Statements

**VILLAGE OF QUINCY**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**MARCH 31, 2016**

	<b>General Fund</b>	<b>Major Streets</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Totals</b>
<b>ASSETS</b>				
Cash and investments	\$ 199,318	\$ -	\$ 31,354	\$ 230,672
Accounts receivable	12,765	-	-	12,765
Due from other governmental units	28,910	16,642	9,888	55,440
Due from other funds	-	-	10,828	10,828
Prepaid expenses	14,239	-	-	14,239
	<u>199,318</u>	<u>16,642</u>	<u>42,182</u>	<u>258,142</u>
Total assets	<u>\$ 255,232</u>	<u>\$ 16,642</u>	<u>\$ 52,070</u>	<u>\$ 323,944</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 10,791	\$ 1,602	\$ 200	\$ 12,593
Accrued expenditures	398	-	-	398
Due to other funds	1,525	10,828	-	12,353
	<u>12,714</u>	<u>12,430</u>	<u>200</u>	<u>25,344</u>
Total liabilities	12,714	12,430	200	25,344
<b>FUND BALANCE</b>				
Nonspendable	14,239	-	-	14,239
Restricted	-	4,212	51,870	56,082
Unassigned	228,279	-	-	228,279
	<u>242,518</u>	<u>4,212</u>	<u>51,870</u>	<u>298,600</u>
Total fund balance	242,518	4,212	51,870	298,600
Total liabilities and fund balance	<u>\$ 255,232</u>	<u>\$ 16,642</u>	<u>\$ 52,070</u>	<u>\$ 323,944</u>

**VILLAGE OF QUINCY**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO NET POSITION**  
**MARCH 31, 2016**

<b>Total Fund Balance - Governmental Funds</b>	\$ 298,600
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in funds:	
The cost of the capital assets	4,490,587
Accumulated depreciation	<u>(2,655,008)</u>
Total capital assets not reported in funds	1,835,579
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:	
Bonds, notes and leases payable	<u>(643,403)</u>
<b>Total Net Position - Governmental Activities</b>	<u><u>\$ 1,490,776</u></u>



**VILLAGE OF QUINCY**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	<b>General Fund</b>	<b>Major Streets</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Totals</b>
<b>REVENUES</b>				
Taxes	\$ 285,028	\$ -	\$ 111,788	\$ 396,816
Licenses and permits	2,248	-	-	2,248
State shared revenue	182,981	94,056	44,974	322,011
Charges for services	151,983	-	-	151,983
Fines and forfeitures	4,399	-	-	4,399
Rent	110,915	-	-	110,915
Interest income	307	74	5	386
Other	62,152	-	-	62,152
Total revenues	<u>800,013</u>	<u>94,130</u>	<u>156,767</u>	<u>1,050,910</u>
<b>EXPENDITURES</b>				
General government	336,706	-	-	336,706
Public safety	244,443	-	-	244,443
Public works	103,994	212,609	140,989	457,592
Recreation and cultural	59,438	-	-	59,438
Capital outlay	411,325	-	-	411,325
Debt service				
Principal	-	-	105,920	105,920
Interest	750	-	10,109	10,859
Total expenditures	<u>1,156,656</u>	<u>212,609</u>	<u>257,018</u>	<u>1,626,283</u>
Excess (deficiency) of revenues over expenditures	(356,643)	(118,479)	(100,251)	(575,373)
<b>OTHER SOURCES (USES)</b>				
Debt proceeds	450,000	-	-	450,000
Transfers from (to) other funds	(162,659)	(29,075)	118,067	(73,667)
Total other sources (uses)	<u>287,341</u>	<u>(29,075)</u>	<u>118,067</u>	<u>376,333</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(69,302)	(147,554)	17,816	(199,040)
<b>FUND BALANCE - BEGINNING</b>	<u>311,820</u>	<u>151,766</u>	<u>34,054</u>	<u>497,640</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 242,518</u>	<u>\$ 4,212</u>	<u>\$ 51,870</u>	<u>\$ 298,600</u>

See Notes to Financial Statements

**VILLAGE OF QUINCY**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2016**

<b>Net change in Fund Balance - Total Governmental Funds</b>	<b>\$ (199,040)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense	(172,755)
Capital outlay	<u>455,648</u>
Total	282,893
Proceeds and repayments of principal on long-term debt are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities):	
Debt proceeds	(494,323)
Principal repayment	<u>105,920</u>
Total	<u>(388,403)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (304,550)</u></u></b>

**VILLAGE OF QUINCY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**MARCH 31, 2016**

	<b>Waste Water Fund</b>	<b>Water Fund</b>	<b>Totals</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments	\$ 130,362	\$ 55,378	\$ 185,740
Accounts receivable	871,954	36,652	908,606
Inventories	18,827	44,750	63,577
Due from other funds	10,000	1,525	11,525
Prepaid and other assets	5,705	6,426	12,131
Total current assets	1,036,848	144,731	1,181,579
<b>Noncurrent assets:</b>			
Capital assets, less accumulated depreciation	2,865,521	1,832,114	4,697,635
Restricted assets - Cash	42,050	60,000	102,050
Total noncurrent assets	2,907,571	1,892,114	4,799,685
Total assets	<u>\$ 3,944,419</u>	<u>\$ 2,036,845</u>	<u>\$ 5,981,264</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 807,399	\$ 1,573	\$ 808,972
Accrued expenditures	-	4,620	4,620
Due to other funds	-	10,000	10,000
Bonds and notes payable, due within one year	-	63,000	63,000
Total current liabilities	807,399	79,193	886,592
<b>Noncurrent liabilities</b>			
Bonds and notes payable, due in more than one year	1,814,000	701,000	2,515,000
Total liabilities	2,621,399	780,193	3,401,592
<b>NET POSITION</b>			
Investment in capital assets, net of related debt	1,051,521	1,068,114	2,119,635
Restricted	42,050	60,000	102,050
Unrestricted	229,449	128,538	357,987
Total net position	<u>\$ 1,323,020</u>	<u>\$ 1,256,652</u>	<u>\$ 2,579,672</u>

See Notes to Financial Statements

**VILLAGE OF QUINCY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	<b>Waste Water Fund</b>	<b>Water Fund</b>	<b>Totals</b>
<b>REVENUES</b>			
Charges for services	\$ 396,793	\$ 417,943	\$ 814,736
State grants	23,239	-	23,239
Total revenues	420,032	417,943	837,975
<b>OPERATING EXPENSES</b>			
Operations	232,619	356,030	588,649
Depreciation	66,406	119,782	186,188
Total operating expenditures	299,025	475,812	774,837
<b>OPERATING INCOME (LOSS)</b>	121,007	(57,869)	63,138
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	125	169	294
Interest expense	-	(23,415)	(23,415)
Total nonoperating revenues (expenses)	125	(23,246)	(23,121)
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	121,132	(81,115)	40,017
<b>TRANSFERS</b>			
From other funds	-	73,667	73,667
<b>CHANGE IN NET POSITION</b>	121,132	(7,448)	113,684
<b>NET POSITION - BEGINNING</b>	1,201,888	1,264,100	2,465,988
<b>NET POSITION - ENDING</b>	<u>\$ 1,323,020</u>	<u>\$ 1,256,652</u>	<u>\$ 2,579,672</u>

**VILLAGE OF QUINCY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	<u>Waste Water Fund</u>	<u>Water Fund</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 414,502	\$ 416,999	\$ 831,501
Payments made to suppliers	(166,890)	(311,406)	(478,296)
Payments made to employees	(59,974)	(67,728)	(127,702)
Net cash provided by operating activities	187,638	37,865	225,503
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer in	-	73,667	73,667
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal and interest paid on capital debt	-	(85,415)	(85,415)
Proceeds of issuance of bonds	977,000	-	977,000
Purchase of capital assets	(1,036,281)	-	(1,036,281)
Net cash provided by (used in) capital and related financing activities	(59,281)	(85,415)	(144,696)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on investments	125	169	294
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	128,482	26,286	154,768
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	43,930	89,092	133,022
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 172,412</u>	<u>\$ 115,378</u>	<u>\$ 287,790</u>

See Notes to Financial Statements

**VILLAGE OF QUINCY**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS - Continued  
FOR THE YEAR ENDED MARCH 31, 2016**

	<u>Waste Water Fund</u>	<u>Water Fund</u>	<u>Totals</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 121,007	\$ (57,869)	\$ 63,138
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	66,406	119,782	186,188
Changes in assets and liabilities:			
Receivables	(5,530)	(944)	(6,474)
Prepays and other assets	(2,024)	(2,352)	(4,376)
Due from others	-	(833)	(833)
Accounts payable	7,779	(19,779)	(12,000)
Accrued expenditures	-	(140)	(140)
Net cash provided by operating activities	<u>\$ 187,638</u>	<u>\$ 37,865</u>	<u>\$ 225,503</u>

**VILLAGE OF QUINCY**  
**COMPONENT UNITS**  
**STATEMENT OF NET POSITION**  
**MARCH 31, 2016**

	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,533	\$ 3,767	\$ 22,300
Due from DDA	-	3,210	3,210
	<hr/>	<hr/>	<hr/>
Total assets	18,533	6,977	25,510
<b>LIABILITIES</b>			
Due to Brownfield Redevelopment Authority	3,210	-	3,210
	<hr/>	<hr/>	<hr/>
<b>NET POSITION</b>			
Restricted	\$ 15,323	\$ 6,977	\$ 22,300
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**VILLAGE OF QUINCY**  
**COMPONENT UNITS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Functions/Programs</b>	<b>Downtown Development Authority</b>	<b>Brownfield Redevelopment Authority</b>	<b>Total</b>
Downtown Development Authority	\$ (34,729)	\$ -	\$ (34,729)
Brownfield Redevelopment Authority	-	-	-
Total component activities	(34,729)	-	(34,729)
General revenues:			
Property taxes	30,040	-	30,040
<b>Change in Net Position</b>	(4,689)	-	(4,689)
<b>Net Position - Beginning</b>	20,012	6,977	26,989
<b>Net Position - Ending</b>	\$ 15,323	\$ 6,977	\$ 22,300



**VILLAGE OF QUINCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Village of Quincy conform to generally accepted accounting principles in the United States of America as applicable to local governmental units. The following is a summary of significant policies:

**REPORTING ENTITY:**

The Village is governed by a seven member council. These financial statements present the Village of Quincy and its component units, as required by generally accepted accounting principles. The individual component units below are included in the Village's reporting entity because of the significance of their operational or financial relationships with the Village.

The following funds are reported within the component units' column in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the Village.

**The Downtown Development Authority** was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and as a tax-increment financing district to correct and prevent deterioration in the downtown district, encourage historical preservation and to promote economic growth within the downtown district. The Authority's budget is subject to approval by the Village Council.

**The Brownfield Redevelopment Authority** was created pursuant to Act 381 of the Public Acts of 1996, as amended. The purpose of the Authority is to treat and revitalize environmentally distressed brownfield zones. The Authority's budget is subject to approval by the Village Council.

**JOINT VENTURE**

**Quincy Fire Association** The Village of Quincy participates with the Township of Quincy, the Township of Algansee, and the Township of Butler in the Quincy Fire Association, a joint venture pursuant to an agreement entered into between the four parties. A joint venture is based on the related contractual agreement by the four parties. The Association is governed by a nine-member board, two members appointed by each municipality and one appointed by the board. In accordance with GASB 61, the Association is not considered to be a component unit of the Village.

## VILLAGE OF QUINCY

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2016

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements, the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which primary government is financially accountable.

The statement of activities demonstrates the degree of which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, taxes, unrestricted State shared revenues, and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The Village first utilizes restricted resources to finance qualifying activities.

##### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:**

**Governmental-Wide Statements** – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

## VILLAGE OF QUINCY

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2016

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: - Continued**

**Fund-based Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, special assessments, licenses, unrestricted State shared revenues, intergovernmental grants, charges for services and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received.

##### **BASIS OF PRESENTATION:**

##### **MAJOR GOVERNMENTAL FUNDS**

**General Fund** is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

**Major Streets Fund** is used to account for the use of motor fuel taxes which are earmarked by State statute for major street and highway purposes.

## VILLAGE OF QUINCY

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2016

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### **BASIS OF PRESENTATION:** - Continued

##### **MAJOR PROPRIETARY FUNDS**

**Water Fund and Waste Water Fund** is a municipal utility formed by Village Charter to distribute water, and operate and maintain the wastewater collections and treatment.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer functions and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various funds.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

##### **PROPERTY TAX REVENUE**

The Village's property taxes are levied each July 1 and based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 15, at which time uncollected property taxes are turned over to the County for reimbursement from their revolving tax fund. The Village continues to collect delinquent personal property taxes.

The 2015 taxable valuation of the Village totaled \$22,744,058 and the millage rates were 11.6267 mills for general operations and 4.6486 mills for municipal streets.

VILLAGE OF QUINCY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED MARCH 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION:**

**Cash and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with maturity of three months or less when acquired. Investments are stated at costs, which approximates fair market value.

**Receivables and Payables** – In general, outstanding balances between funds are reported as “due from/to other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances from/to other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government wide financial statements as “internal balances”.

**Inventory and Prepaid items** – Inventory is valued at cost, on a first-in, first-out basis. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, vehicles, and infrastructure are depreciated using the straight-line method over the following useful lives:

Water and Sewer Systems	30-50 Years
Buildings and improvements	30 Years
Equipment	5-15 Years

**Deferred Outflows of Resources** – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village does not have anything that qualifies for reporting in this category.

## VILLAGE OF QUINCY

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2016

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION: – Continued

**Deferred Inflows of Resources** – In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Village does not have anything that qualifies for reporting in this category.

**Compensated Absences** – It is the Village’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary financial statements. The liability for these amounts are immaterial to the financial statements.

**Long-term Obligations** – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

**Fund Balance** – The Governmental Funds Balance Sheet provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

**Nonspendable fund balance** – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

**Restricted fund balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

**Committed fund balance** – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

**Assigned fund balance** – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

**Unassigned fund balance** – amounts that are available for any purpose; positive amounts are reported only in the general fund.

## VILLAGE OF QUINCY

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2016

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION: – Continued

##### **Fund Balance – Continued**

The Village establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Village's Board through adoption or amendment of the budget as intended for specific purpose. The Village would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

##### **BASIS OF BUDGETING:**

The Village adopted their annual budgets based on the appropriate method of accounting for the corresponding governmental or proprietary fund. Revenues and expenditures were estimated by the individual line item basis, but adopted and amended by the Village Council by the functional level for each fund. Once a budget is approved, it can be amended at the functional level. Amendments are presented to the Village Council at their regular meetings. Each amendment must have Village Council approval. Such amendments are reflected in the official minutes of the Village Council, and are not made after year end as dictated by law. Revisions to the budgets were made during the year.

##### **ENCUMBRANCE ACCOUNTING:**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end may be reappropriated in the next year. No reservation of fund balance equal to outstanding encumbrances at year end is required.

##### **USE OF ESTIMATES:**

The Village uses estimates and assumptions in the preparation of the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenditures.

## VILLAGE OF QUINCY

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2016

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### SUBSEQUENT EVENTS:

The Village evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through the audit date.

#### NOTE B – DEPOSITS AND INVESTMENTS

The Village uses financial institutions for cash purposes, which is in accordance with statutory authority. The accounts maintained in the financial institutions are checking, savings and certificates of deposit. The interest rates of the checking and savings accounts are at variable daily rates.

Investments consist of certificate of deposits with an original maturity date of greater than three months. The investments are carried at cost which approximates market value. The certificate of deposit is currently earning rate of 1.29%.

**Interest rate risk** – In accordance with its investment policy, the Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Village's cash requirements.

**Credit risk** – State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The Village does not allow direct investment in commercial paper or corporate bonds.

**Concentration of credit risk** – The Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk for deposits** – In the case of deposits, this is the risk that in the event of a financial institution failure, the Village's deposits may not be recovered. As of March 31, 2016, \$477,149 of the Village's bank balance of \$731,714 was exposed to custodial credit risk because it was uninsured and uncollateralized. Certificates of deposit and money market accounts are included in the above totals.



**VILLAGE OF QUINCY**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED MARCH 31, 2016**

**NOTE B – DEPOSITS AND INVESTMENTS – Continued**

**Foreign currency risk** – The Village is not authorized to invest in investments which have this type of risk.

**NOTE C – DUE FROM OTHER FUNDS**

The due from other funds, at March 31, 2016, for the Village are as follows:

**LOCAL STREETS FUND**

Due from Major Streets Fund	<u>\$ 10,828</u>
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**WASTEWATER FUND**

Due from Water Fund	<u>\$ 10,000</u>
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**WATER FUND**

Due from General Fund	<u>\$ 1,525</u>
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The due from other fund balances result from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

**VILLAGE OF QUINCY**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED MARCH 31, 2016**

**NOTE D – TRANSFERS FROM (TO) OTHER FUNDS**

Transfers from (to) other funds, during the year ended March 31, 2016, for the Village are as follows:

<b>GENERAL FUND</b>	
Transfer to Debt Service Fund	\$ (88,992)
Transfer to Water Fund	<u>(73,667)</u>
Total	<u><u>\$ (162,659)</u></u>
<b>MAJOR STREETS FUND</b>	
Transfer to Local Streets Fund	<u><u>\$ (29,075)</u></u>
<b>LOCAL STREETS FUND</b>	
Transfer from Major Streets Fund	\$ 29,075
Transfer from Municipal Streets Fund	40,000
Transfer to Debt Service Fund	<u>(27,037)</u>
Total	<u><u>\$ 42,038</u></u>
<b>MUNICIPAL STREETS FUND</b>	
Transfer to Local Streets Fund	<u><u>\$ (40,000)</u></u>
<b>DEBT SERVICE FUND</b>	
Transfer from General Fund	\$ 88,992
Transfer from Local Streets Fund	<u>27,037</u>
Total	<u><u>\$ 116,029</u></u>
<b>WATER FUND</b>	
Transfer from General Fund	<u><u>\$ 73,667</u></u>

Transfers are used to move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**VILLAGE OF QUINCY**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED MARCH 31, 2016**

**NOTE E – CAPITAL ASSETS**

Capital asset activity of the Village’s governmental activities and business-type activities was as follows:

**GOVERNMENTAL ACTIVITIES**

	<u>Balance April 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance March 31, 2016</u>
<b>GROUP:</b>				
Capital assets, not being depreciated:				
Land	\$ 454,300	\$ -	\$ -	\$ 454,300
Construction in progress	20,675	407,675	20,675	407,675
Total capital assets, not being depreciated:	474,975	407,675	20,675	861,975
Capital assets, being depreciated				
Land improvements	2,257,389	-	-	2,257,389
Buildings	624,328	-	-	624,328
Equipment	678,247	68,648	-	746,895
Total assets being depreciated	3,559,964	68,648	-	3,628,612
Total assets	4,034,939	476,323	-	4,490,587
<b>ACCUMULATED DEPRECIATION:</b>				
Land improvements	1,603,548	119,088	-	1,722,636
Buildings	317,261	17,227	-	334,488
Equipment	561,444	36,440	-	597,884
Total accumulated depreciation	2,482,253	172,755	-	2,655,008
Net capital assets	<u>\$ 1,552,686</u>	<u>\$ 303,568</u>	<u>\$ -</u>	<u>\$ 1,835,579</u>

**VILLAGE OF QUINCY**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED MARCH 31, 2016**

**NOTE E – CAPITAL ASSETS – Continued**

**BUSINESS-TYPE ACTIVITIES**

	<u>Balance April 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance March 31, 2016</u>
<b>GROUP:</b>				
Capital assets, not being depreciated:				
Land	\$ 21,851	\$ -	\$ -	\$ 21,851
Construction in progress	269,231	1,835,199	-	2,104,430
Total capital assets, not being depreciated:	291,082	1,835,199	-	2,126,281
Capital assets, being depreciated				
Buildings	136,225	-	-	136,225
Equipment	506,632	-	-	506,632
Infrastructure	5,547,297	-	-	5,547,297
Total assets being depreciated	6,190,154	-	-	6,190,154
Total assets	6,481,236	1,835,199	-	8,316,435
<b>ACCUMULATED DEPRECIATION:</b>				
Buildings	117,915	1,831	-	119,746
Equipment	328,887	20,932	-	349,819
Infrastructure	2,985,810	163,425	-	3,149,235
Total accumulated depreciation	3,432,612	186,188	-	3,618,800
Net capital assets	<u>\$ 3,048,624</u>	<u>\$ 1,649,011</u>	<u>\$ -</u>	<u>\$ 4,697,635</u>

Depreciation expense was charged to activities of the Village as follows:

**GOVERNMENTAL ACTIVITIES:**

General government	\$ 36,440
Public works	135,353
Recreation and cultural	962
Total governmental activities	<u>\$ 172,755</u>

**BUSINESS -TYPE ACTIVITIES:**

Water	119,782
Waste water	66,406
Total business-type activities	<u>\$ 186,188</u>

**VILLAGE OF QUINCY**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED MARCH 31, 2016**

**NOTE F – LONG-TERM DEBT**

	<u>Balance</u> <u>April 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>March 31, 2016</u>
<b>Governmental Activities:</b>				
2002 Capital improvement bonds	\$ 155,000	\$ -	\$ 75,000	\$ 80,000
2007 Capital improvement bonds	100,000	-	25,000	75,000
2015 Capital improvement bonds	-	450,000	-	450,000
2016 Police car note payable	-	44,323	5,920	38,403
	<u>\$ 255,000</u>	<u>\$ 494,323</u>	<u>\$ 105,920</u>	<u>\$ 643,403</u>
Total business-type activities	<u>\$ 255,000</u>	<u>\$ 494,323</u>	<u>\$ 105,920</u>	<u>\$ 643,403</u>

The following is a summary of the long-term obligations for the Village:

**GOVERNMENTAL ACTIVITIES**

Series 2002 Capital Improvement Bonds, interest rate of 5.0%, annual payment of \$80,000, due October 2016	\$ 80,000
Series 2007 Capital Improvement Bonds, interest rate of 4.22%, annual payments of \$25,000, due October 2018	75,000
Series 2015 Capital Improvement Bonds, interest rate of 2.60%, annual payments of \$60,000-\$70,000, due July 2023	450,000
Note payable to bank at an interest rate of 2.15%, monthly payments of \$740 principal plus interest, due July 2020, secured by vehicle	<u>38,403</u>
Total	<u>\$ 643,403</u>

**VILLAGE OF QUINCY**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED MARCH 31, 2016**

**NOTE F – LONG-TERM DEBT – Continued**

Annual requirements to service debt	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 173,880	\$ 16,227	\$ 190,107
2018	93,880	11,457	105,337
2019	93,880	8,675	102,555
2020	73,880	6,340	80,220
2021	67,883	4,498	72,381
2022-2023	140,000	3,640	143,640
Total	<u>\$ 643,403</u>	<u>\$ 50,837</u>	<u>\$ 694,240</u>

**BUSINESS TYPE ACTIVITIES**

	<b>Balance April 1, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance March 31, 2016</b>
<b>Business-type Activities</b>				
2016 Waste Water system bonds	\$ -	\$ 1,814,000	\$ -	\$ 1,814,000
2014 Water supply revenue bonds	826,000	-	62,000	764,000
Total business-type activities	<u>\$ 826,000</u>	<u>\$ 1,814,000</u>	<u>\$ 62,000</u>	<u>\$ 2,578,000</u>

The following is a summary of the long-term obligations for the Village:

**BUSINESS TYPE ACTIVITIES**

Series 2014 Water Supply Revenue Bonds, interest rate ranging from 1.05% to 3.40%, annual principal payments ranging from \$63,000 to \$79,000, due January 2027	\$ 764,000
Series 2016 Waste Water Supply Revenue Bonds, interest rate of 2.50%, interest only payments	<u>1,814,000</u>
Total	<u>\$ 2,578,000</u>

## VILLAGE OF QUINCY

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2016

#### NOTE F – LONG-TERM DEBT – Continued

Annual requirements to service debt (excluding 2016 Waste Water System bonds - see note below)	<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 63,000	\$ 18,480	\$ 81,480
2018	64,000	17,819	\$ 81,819
2019	65,000	16,986	\$ 81,986
2020	65,000	16,044	\$ 81,044
2021	66,000	14,809	\$ 80,809
2022-2026	362,000	47,061	\$ 409,061
2027	79,000	2,686	\$ 81,686
Total	<u>\$ 764,000</u>	<u>\$ 133,885</u>	<u>\$ 897,885</u>

Interest expense for the year ended March 31, 2016 was \$23,415 for Business-type Activities and \$10,859 for the Governmental Activities.

The Village has a Series 2016 Waste Water System Revenue Bond that has a draw left of \$2,249,000, all of which is expected to be spent by March 31, 2017. Accordingly, this bond has not been included in the annual requirements to service debt schedule.

#### NOTE G – RISK MANAGEMENT

The Village is exposed to various risk of loss related to torts; errors and omissions; injuries to employees and natural disasters. The Village has purchased commercial insurance through various carriers, including the Michigan Municipal League to cover all risks of loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## **VILLAGE OF QUINCY**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2016**

#### **NOTE H – DEFINED CONTRIBUTION PENSION PLAN**

The Village maintains a defined contribution pension plan (the “Village of Quincy Defined Contribution Pension Plan”, or the “Plan”) for substantially all employees. The employees are eligible to enter the Plan starting either January 1 or July 1 following the attainment of the age of twenty-one and the performance of 1,000 hours of service. Employees are fully vested upon entrance into the Plan. The Village Council established the Plan, and may amend it, and the related contribution requirements. The Plan is administered by MERS. The Village is required to make annual contributions of six percent of covered payroll to the Plan. The Plan is non-contributory for employees. Employer contributions made to the Plan for the year ended March 31, 2016, amounted to \$19,794 for the Governmental Activities and \$4,579 for Business-type Activities.

#### **NOTE I – COMMITMENTS**

The Village of Quincy has entered into contracts to complete sewer construction projects. The amount committed to finish the projects at March 31, 2016 was approximately \$2,249,000. All of the committed funds will be paid for with proceeds from the Capital Improvement Bond.

The Village has also entered into contracts to complete park restoration projects. The amount committed to finish the projects at March 31, 2016 was approximately \$45,000. All of the committed funds will be paid for with proceeds from State grants.



**VILLAGE OF QUINCY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 286,226	\$ 286,726	\$ 285,028	\$ (1,698)
License and permits	2,450	2,450	2,248	(202)
State shared revenue	185,000	185,000	182,981	(2,019)
Charges for services	144,186	152,186	151,983	(203)
Rent	112,813	128,313	110,915	(17,398)
Interest earned	150	250	307	57
Fines and forfeitures	7,500	7,500	4,399	(3,101)
Other	50,000	66,000	62,152	(3,848)
	<u>788,325</u>	<u>828,425</u>	<u>800,013</u>	<u>(28,412)</u>
<b>EXPENDITURES</b>				
General government				
Village council	26,365	27,325	23,216	(4,109)
Village manager	80,464	90,478	90,437	(41)
Board of appeals	969	969	215	(754)
Planning commission	3,646	2,996	2,520	(476)
Clerk/Treasurer	128,529	126,862	119,251	(7,611)
Building and grounds	85,560	116,115	101,067	(15,048)
	<u>325,533</u>	<u>364,745</u>	<u>336,706</u>	<u>(28,039)</u>
Public safety	229,155	253,184	244,443	(8,741)
Public works	67,876	117,089	103,994	(13,095)
Recreation & cultural	27,294	85,868	59,438	(26,430)
Capital Outlay	27,000	432,800	411,325	(21,475)
Debt service				
Principal	-	-	-	-
Interest	750	4,300	750	(3,550)
	<u>677,608</u>	<u>1,257,986</u>	<u>1,156,656</u>	<u>(101,330)</u>
Excess of revenues over expenditures	110,717	(429,561)	(356,643)	72,918
<b>OTHER SOURCES (USES)</b>				
Debt proceeds	-	450,000	450,000	-
Transfers from (to) other funds	(121,000)	(165,000)	(162,659)	2,341
	<u>(121,000)</u>	<u>285,000</u>	<u>287,341</u>	<u>2,341</u>
Excess of revenues and other sources over expenditures and other uses	(10,283)	(144,561)	(69,302)	75,259
<b>FUND BALANCE - BEGINNING</b>	<u>311,820</u>	<u>311,820</u>	<u>311,820</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 301,537</u>	<u>\$ 167,259</u>	<u>\$ 242,518</u>	<u>\$ 75,259</u>

**VILLAGE OF QUINCY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**MAJOR STREETS FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest income	\$ 75	\$ 75	\$ 74	\$ (1)
State shared revenue	87,450	101,220	94,056	(7,164)
Total revenue	87,525	101,295	94,130	(7,165)
<b>EXPENDITURES</b>				
Public works				
Maintenance	81,233	201,060	192,962	(8,098)
Preservation	24,622	25,677	19,647	(6,030)
Total expenditures	105,855	226,737	212,609	(14,128)
Excess (deficiency) of revenues over expenditures	(18,330)	(125,442)	(118,479)	6,963
<b>OTHER SOURCES (USES)</b>				
Transfer from (to) other funds	(29,075)	(29,075)	(29,075)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(47,405)	(154,517)	(147,554)	6,963
<b>FUND BALANCE - BEGINNING</b>	151,485	151,485	151,766	281
<b>FUND BALANCE - ENDING</b>	<u>\$ 104,080</u>	<u>\$ (3,032)</u>	<u>\$ 4,212</u>	<u>\$ 7,244</u>

**VILLAGE OF QUINCY**  
**OTHER SUPPLEMENTAL INFORMATION**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**MARCH 31, 2016**

**Nonmajor Special Revenue Funds**

	<u><b>Local Streets</b></u>	<u><b>Municipal Streets</b></u>	<u><b>Debt Service</b></u>	<u><b>Totals</b></u>
<b>ASSETS</b>				
Cash and investments	\$ 28,849	\$ 2,505	\$ -	\$ 31,354
Due from other governmental units	9,888	-	-	9,888
Due from other funds	10,828	-	-	10,828
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 49,565</u>	<u>\$ 2,505</u>	<u>\$ -</u>	<u>\$ 52,070</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 200.00	\$ -	\$ -	\$ 200
<b>FUND BALANCE</b>				
Restricted	49,365	2,505	-	51,870
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 49,565</u>	<u>\$ 2,505</u>	<u>\$ -</u>	<u>\$ 52,070</u>

**VILLAGE OF QUINCY**

**OTHER SUPPLEMENTAL INFORMATION  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2016**

	<u>Nonmajor Special Revenue Funds</u>			
	<u>Local Streets</u>	<u>Municipal Streets</u>	<u>Debt Service</u>	<u>Totals</u>
<b>REVENUES</b>				
Taxes	\$ -	\$ 111,788	\$ -	\$ 111,788
State shared revenue	44,974	-	-	44,974
Interest income	5	-	-	5
Total revenues	<u>44,979</u>	<u>111,788</u>	<u>-</u>	<u>156,767</u>
<b>EXPENDITURES</b>				
Public works				
Maintenance	53,787	-	-	53,787
Preservation	6,752	80,450	-	87,202
Debt service				
Principal	-	-	105,920	105,920
Interest	-	-	10,109	10,109
Total expenditures	<u>60,539</u>	<u>80,450</u>	<u>116,029</u>	<u>257,018</u>
Excess (deficiency) of revenues over expenditures	(15,560)	31,338	(116,029)	(100,251)
<b>OTHER SOURCES (USES)</b>				
Transfers from (to) other funds	<u>42,038</u>	<u>(40,000)</u>	<u>116,029</u>	<u>118,067</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	26,478	(8,662)	-	17,816
<b>FUND BALANCE - BEGINNING</b>	<u>22,887</u>	<u>11,167</u>	<u>-</u>	<u>34,054</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 49,365</u>	<u>\$ 2,505</u>	<u>\$ -</u>	<u>\$ 51,870</u>

**VILLAGE OF QUINCY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
MARCH 31, 2016**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Program or or Award Amount</u>	<u>Accrued or (Deferred) Revenue at April 1, 2015</u>	<u>Current Year Receipts</u>	<u>Current Year Expenditures</u>	<u>Accrued or (Deferred) Revenue at March 31, 2016</u>	<u>Prior Years Expenditures</u>
<b>DEPARTMENT OF AGRICULTURE</b>								
Passed Through State of Michigan								
* Water and Waste Disposal Systems for Rural Communities	10.760	C26023L137379	<u>\$ 2,613,000</u>	<u>\$ -</u>	<u>\$ 977,000</u>	<u>\$ 1,814,000</u>	<u>\$ 837,000</u>	-

**VILLAGE OF QUINCY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued  
FOR THE YEAR ENDED MARCH 31, 2016**

**Reconciliation of Total Federal Assistance  
to Financial Statements:**

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Total Federal Assistance received	\$ 977,000
Accrued revenue at April 1, 2016	-
Accrued revenue at March 31, 2016	<u>837,000</u>
Total Federal Assistance expenditures	<u>\$ 1,814,000</u>
Proprietary Funds shown as loan proceeds	<u>\$ 1,814,000</u>

**ADDITIONAL COMMENTS**

For the grants tested in accordance with the Single Audit Act, the expenditures identified in the schedule of expenditures of Federal awards are supported by source documentation, accurate, current, proper, and in agreement with financial reports submitted.

There was no Single Audit for the year ended March 31, 2015, accordingly, no schedule of finding and questioned costs exist for prior year.

## **VILLAGE OF QUINCY**

### **NOTES TO INTERNAL CONTROL AND FEDERAL GRANT REPORT FOR THE YEAR ENDED MARCH 31, 2016**

#### **NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Village of Quincy conform to generally accepted accounting principles in the United States of America as applicable to Villages. Please refer to Note A of the financial statements for a summary of significant policies.

For purposes of charging indirect costs to federal awards, the Village has not elected to use the 10% de minimis cost rate as permitted by 200.414 of the Uniform Guidance.

#### **NOTE B – FEDERAL LOANS**

The federal grant money in amount of \$1,814,000 is a loan shown in Village of Quincy's proprietary financials statements. The loan is to be repaid at an interest rate of 2.5%. The complete loan schedule and payments have not been provided by the Federal Loan administrators due to Village having ability to draw additional amounts up to \$2,249,000 and the construction not being completed.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

**Village Council  
Village of Quincy, Michigan**

**August 22, 2016**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Quincy, Michigan as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Village of Quincy, Michigan's basic financial statements, and have issued our report thereon dated August 22, 2016.

**Internal Control Over Financial Reporting:** In planning and performing our audit of the financial statements, we considered the Village of Quincy, Michigan'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 the Village of Quincy, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Quincy, Michigan's internal control.

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



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

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

**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.

*Taylor, Plant & Watkins, P.C.*

**TAYLOR, PLANT & WATKINS, P.C.  
COLDWATER, MICHIGAN**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**Village Council  
Village of Quincy, Michigan**

**August 22, 2016**

**Report on Compliance for Each Major Federal Program:** We have audited the Village of Quincy, Michigan'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 the Village of Quincy, Michigan's major federal programs for the year ended March 31, 2016. Village of Quincy, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility:** Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility:** Our responsibility is to express an opinion on compliance for each of the Village of Quincy, Michigan'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 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 the Village of Quincy, Michigan'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 legal determination of the Village of Quincy, Michigan's compliance.

**Opinion on Each Major Federal Program:** In our opinion, the Village of Quincy, Michigan 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 March 31, 2016.

**Report on Internal Control over Compliance:** Management of the Village of Quincy, Michigan, 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 the Village of Quincy, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the 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 the Village of Quincy, Michigan'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 a 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Village Council  
Village of Quincy, Michigan**

**August 22, 2016**

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 requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Taylor, Plant & Watkins, P.C.*

**TAYLOR, PLANT & WATKINS, P.C.  
COLDWATER, MICHIGAN**

VILLAGE OF QUINCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2016

SUMMARY OF AUDIT RESULTS

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?  X  Yes   No

Reportable condition(s) identified that are considered to be material weakness(es)?   Yes  X  None reported

Noncompliance material to financial statements noted?   Yes  X  No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?   Yes  X  No

Reportable condition(s) identified that are not considered to be material weakness(es)?   Yes  X  No

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported accordance 2 CFR section 200.516(a)?  X  Yes   No

**Identification of major programs**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems For Rural Communities

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   Yes  X  No

**VILLAGE OF QUINCY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

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**FINDING 2016-001** Preparation of Financial Statements

**Finding Type** - Considered a material weakness in internal control over financial reporting.

**Criteria** – Management is responsible for preparing Financial Statements. Generally accepted accounting principles require us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

**Condition** – Currently, the Village’s management requests the external auditor’s assistance in the preparation of the annual financial statements and related footnotes.

**Cause** – The management of the Village does understand all information included in the annual financial statements; however, assistance of the external auditor was utilized in preparing the financial statements and footnotes to the financial statements.

**Effect** – Utilization of the external auditor in preparing the financial statement and related footnotes to the financial statements assists management with the external financial reporting responsibility, to ensure their financial statements and federal reporting are accurate.

**Questioned Costs** – No costs are required to be questioned as result of this finding, in reference to no unallowable expenditures were noted.

**Recommendation** – At this time, we recommend no changes to this situation and communicate this as required by professional standards. The Village management reviews and understands the financials having the knowledge to take responsibility for the preparation.

**View of Responsible Officials** – Management understanding and taking responsibility for the information contained in the financials will continue to use external auditors to complete the financials and federal award schedule.

VILLAGE OF QUINCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2016

FINDINGS – FINANCIAL STATEMENT AUDIT

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**FINDING 2016-002** Adequate segregation of duties

**Criteria** – Village lacks size of staff needed to have proper segregation of duties. Generally accepted accounting principles require us to communicate in writing when a client lacks adequate segregation of duties in accordance with accounting principles generally accepted in the United States of America.

**Condition** – Currently, the Village’s management has limited resources to hire employees required to provide adequate segregation of duties.

**Cause** – Management has determined that segregation of duties may be impractical and the cost vs. benefit relationship may not justify the addition of accounting staff to accomplish the desired segregation.

**Effect** – The Village has put measures in place to ensure that there is segregation of duties between employees that would provide some assurance on controls implemented by management.

**Questioned Costs** – No costs are required to be questioned as result of this finding, in reference to no unallowable expenditures were noted.

**Recommendation** – At this time, we recommend Village continue to enhance internal controls to mitigate the lack of segregation of duties.

**View of Responsible Officials** – The Village management continually reviews and evaluates the cost vs. benefit of hiring additional staff.

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FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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None