

**VILLAGE OF QUINCY  
BRANCH COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**MARCH 31, 2015**

## CONTENTS

|  | <u>Page</u> |
|--|-------------|
| <b>Report Letter</b>   | 1-3         |
| <b>Management's Discussion and Analysis</b>  | 4-9         |
| <b>Basic Financial Statements</b>  |             |
| Government-Wide Financial Statements:  |             |
| Statement of Net Position  | 10          |
| Statement of Activities  | 11          |
| Fund Financial Statements:   |             |
| Governmental Funds:  |             |
| Balance Sheet  | 12          |
| Reconciliation of Balance Sheet of Governmental Funds<br>to Net Position   | 13          |
| Statement of Revenues, Expenditures and Changes in Fund<br>Balance   | 14          |
| Reconciliation of the Statement of Revenues, Expenditures<br>and Changes in Fund Balance of Governmental Funds<br>to the Statement of Activities | 15          |
| Proprietary Funds:   |             |
| Statement of Net Position  | 16          |
| Statement Revenues, Expenses and Changes in Net Position   | 17          |
| Statement of Cash Flows  | 18-19       |
| Component Units:   |             |
| Statement of Net Position  | 20          |
| Statement of Activities  | 21          |
| <b>Notes to Financial Statements</b>   | 22-37       |

## CONTENTS - Continued

### Required Supplemental Information

|  |    |
|--|----|
| General Fund:                              |    |
| Budgetary Comparison Schedule              | 38 |
| Major Streets Fund:                        |    |
| Budgetary Comparison Schedule              | 39 |
| Notes to Required Supplemental Information | 40 |

### Other Supplemental Information

|  |    |
|--|----|
| Nonmajor Governmental Funds:   |    |
| Combining Balance Sheet  | 41 |
| Nonmajor Governmental Funds:   |    |
| Combining Statement of Revenues, Expenditures and Changes<br>In Fund Balance | 42 |

|   |       |
|---|-------|
| <b>Report on internal control over financial reporting and on compliance<br/>and other matters based on an audit of financial statements performed<br/>in accordance with Governmental Auditing Standards</b> | 43-45 |
|---|-------|



## **INDEPENDENT AUDITOR'S REPORT**

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

**June 8, 2015**

### **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, 2015, 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, 2015 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, pages 4 through 9 and 38 through 39 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 combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 June 8, 2015, 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, 2015. 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, 2015:

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$4,261,314 (net assets). Of this amount, \$495,181 (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 \$128,469. The decrease is due to the receipt of state grants in the prior year that were not received in the current fiscal year.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$497,640, an increase of \$16,316 in comparison with the prior year. Approximately 60% of the fund balance, or \$300,604, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$300,604 or 43% of total general fund expenditures.
- The Village refinanced their Water Supply System Revenue bond during the year, and the Village's total debt decreased by \$128,547.

**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, Major Streets, Local Streets, Municipal Streets and Debt Service. 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>2015</u>                    | <u>2014</u>         | <u>2015</u>                     | <u>2014</u>         | <u>2015</u>         | <u>2014</u>         |
| <b>Assets</b>  |                                |                     |                                 |                     |                     |                     |
| Current and other assets                             | \$ 514,125                     | \$ 492,706          | \$ 270,178                      | \$ 322,272          | \$ 784,303          | \$ 814,978          |
| Capital assets                                       | <u>1,552,686</u>               | <u>1,700,307</u>    | <u>3,048,627</u>                | <u>3,196,945</u>    | <u>4,601,313</u>    | <u>4,897,252</u>    |
| Total assets   | 2,066,811                      | 2,193,013           | 3,318,805                       | 3,519,217           | 5,385,616           | 5,712,230           |
| <b>Liabilities</b>                                   |                                |                     |                                 |                     |                     |                     |
| Long-term debt outstanding                           | 255,000                        | 365,547             | 826,000                         | 844,000             | 1,081,000           | 1,209,547           |
| Other liabilities                                    | <u>16,485</u>                  | <u>11,382</u>       | <u>26,817</u>                   | <u>101,518</u>      | <u>43,302</u>       | <u>112,900</u>      |
| Total liabilities                                    | 271,485                        | 376,929             | 852,817                         | 945,518             | 1,124,302           | 1,322,447           |
| <b>Net Position</b>                                  |                                |                     |                                 |                     |                     |                     |
| Investment in capital assets-<br>Net of related debt | 1,297,686                      | 1,334,760           | 2,222,627                       | 2,352,945           | 3,520,313           | 3,687,705           |
| Restricted   | 185,820                        | 195,159             | 60,000                          | 50,000              | 245,820             | 245,159             |
| Unrestricted   | <u>311,820</u>                 | <u>286,165</u>      | <u>183,361</u>                  | <u>170,754</u>      | <u>495,181</u>      | <u>456,919</u>      |
| Total net position                                   | <u>\$ 1,795,326</u>            | <u>\$ 1,816,084</u> | <u>\$ 2,465,988</u>             | <u>\$ 2,573,699</u> | <u>\$ 4,261,314</u> | <u>\$ 4,389,783</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 |                  |
|--|-------------------------|--------------------|--------------------------|------------------|
|  | 2015                    | 2014               | 2015                     | 2014             |
| <b>Revenues</b>                                |                         |                    |                          |                  |
| Program revenues:                              |                         |                    |                          |                  |
| Charges for services                           | \$ 149,906              | \$ 139,687         | \$ 709,060               | \$ 658,206       |
| Operating grants and contributions             | -                       | -                  | -                        | 219,664          |
| Capital grants and contributions               | -                       | 12,000             | -                        | -                |
| General revenues:                              |                         |                    |                          |                  |
| Property taxes                                 | 395,360                 | 391,687            | -                        | -                |
| State shared revenues                          | 313,674                 | 297,921            | -                        | -                |
| Unrestricted investment earnings               | 348                     | 515                | -                        | -                |
| Rental Income                                  | 82,265                  | 85,056             | -                        | -                |
| Grants and contributions not restricted        | -                       | -                  | -                        | -                |
| Sale of land                                   | 61,477                  | -                  | -                        | -                |
| Other  | 34,435                  | 17,399             | 332                      | 322              |
| Total revenues                                 | 1,037,465               | 944,265            | 709,392                  | 878,192          |
| <b>Expenses</b>                                |                         |                    |                          |                  |
| General government                             | 377,881                 | 347,477            | -                        | -                |
| Public safety                                  | 214,967                 | 187,328            | -                        | -                |
| Public works                                   | 465,088                 | 430,771            | -                        | -                |
| Recreation and cultural                        | 9,712                   | 962                | -                        | -                |
| Interest                                       | 15,050                  | 20,424             | -                        | -                |
| Water  | -                       | -                  | 487,758                  | 448,725          |
| Waste water                                    | -                       | -                  | 304,870                  | 314,822          |
| Total expenses                                 | 1,082,698               | 986,962            | 792,628                  | 763,547          |
| <b>Change in net position before transfers</b> | (45,233)                | (42,697)           | (83,236)                 | 114,645          |
| Transfers                                      | 24,475                  | 25,318             | (24,475)                 | (25,275)         |
| <b>Change in net position (decrease)</b>       | <u>\$ (20,758)</u>      | <u>\$ (17,379)</u> | <u>\$ (107,711)</u>      | <u>\$ 89,370</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 \$497,640, an increase of \$16,316 in comparison with prior year. Approximately 60 percent of this total amount (\$300,604) constitutes unassigned fund balance. Approximately 37 percent (\$185,820) 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 increased by \$25,655 during the current fiscal year. This increase is due to an increase in state shared revenue received by the Village, as well as land sales made by the Village.

The major street fund has a total fund balance of \$151,766, a decrease of \$23,490 during the year. The decrease is due to a large project of maintenance on street system completed in current year.

The local street fund had an increase in the fund balance of \$3,349, during the year for an ending fund balance of \$22,887. The increase is due to road maintenance project expenses being covered by a transfer from municipal streets fund.

The municipal streets fund has a total fund balance of \$11,167, with an increase of \$10,802 during the current year. The increase is a result of conservative spending by the Village and less maintenance projects on the streets.

#### **Enterprise Funds**

Unrestricted net position of the waste water and water enterprise funds at the end of the year amounted to \$105,157 and \$88,204, respectively. The waste water fund had an increase of \$11,346 and the water fund had a decrease of \$119,057 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, 2015, amounted to \$4,601,313 (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 \$1,081,000. The Village's debt decreased by \$128,547 during the current fiscal year. State statutes limit the amount of general obligation debt which for the Village currently is \$255,000, a governmental entity may issue to 10 percent of its total taxable valuation. The current debt limitation for the Village is \$2,526,630, 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 2015 – 2016 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, 2015**

|   | <b>Primary Government</b>          |                                     |                     | <b>Component<br/>Units</b> |
|---|------------------------------------|-------------------------------------|---------------------|----------------------------|
|   | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>        |                            |
| <b>ASSETS</b>   |                                    |                                     |                     |                            |
| Cash and investments                                  | \$ 444,268                         | \$ 73,022                           | \$ 517,290          | \$ 26,989                  |
| Accounts receivable                                   | 6,212                              | 65,132                              | 71,344              | -                          |
| Inventory   | -                                  | 63,577                              | 63,577              | -                          |
| Due from other governmental units                     | 52,429                             | -                                   | 52,429              | 3,210                      |
| Due from others                                       | -                                  | 692                                 | 692                 | -                          |
| Prepaid expenses                                      | 11,216                             | 7,755                               | 18,971              | -                          |
| Restricted assets - Cash                              | -                                  | 60,000                              | 60,000              | -                          |
| Capital assets, less accumulated depreciation         | 1,552,686                          | 3,048,627                           | 4,601,313           | -                          |
| Total assets  | 2,066,811                          | 3,318,805                           | 5,385,616           | 30,199                     |
| <b>LIABILITIES</b>                                    |                                    |                                     |                     |                            |
| Accounts payable                                      | 15,684                             | 22,057                              | 37,741              | -                          |
| Accrued expenditures                                  | 109                                | 4,760                               | 4,869               | -                          |
| Due to others   | 692                                | -                                   | 692                 | 3,210                      |
| Long term liabilities:                                |                                    |                                     |                     |                            |
| Bonds payable, due within one year                    | 100,000                            | 62,000                              | 162,000             | -                          |
| Bonds and notes payable,<br>due in more than one year | 155,000                            | 764,000                             | 919,000             | -                          |
| Total liabilities                                     | 271,485                            | 852,817                             | 1,124,302           | 3,210                      |
| <b>NET POSITION</b>                                   |                                    |                                     |                     |                            |
| Investment in capital assets - net of related debt    | 1,297,686                          | 2,222,627                           | 3,520,313           | -                          |
| Restricted  | 185,820                            | 60,000                              | 245,820             | 26,989                     |
| Unrestricted  | 311,820                            | 183,361                             | 495,181             | -                          |
| Total net position                                    | <u>\$ 1,795,326</u>                | <u>\$ 2,465,988</u>                 | <u>\$ 4,261,314</u> | <u>\$ 26,989</u>           |

See Notes to Financial Statements

## VILLAGE OF QUINCY

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2015

| Functions/Programs                   | Program Revenues |                         |  |  | Net (Expense) Revenue and  |                             |
|--------------------------------------|------------------|-------------------------|--|--|----------------------------|-----------------------------|
|                                      | Expenses         | Charges for<br>Services | Operating /<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government         |                             |
|                                      |                  |                         |  |  | Governmental<br>Activities | Business-type<br>Activities |
| <b>Governmental activities:</b>      |                  |                         |  |  |                            |                             |
| General government                   | \$ 377,881       | \$ 149,906              | \$ -                                       | \$ -                                   | \$ (227,975)               | \$ -                        |
| Public safety                        | 214,967          | -                       | -  | -                                      | (214,967)                  | -                           |
| Public works                         | 465,088          | -                       | -  | -                                      | (465,088)                  | -                           |
| Recreation and cultural              | 9,712            | -                       | -  | -                                      | (9,712)                    | -                           |
| Interest                             | 15,050           | -                       | -  | -                                      | (15,050)                   | -                           |
| Total governmental activities        | 1,082,698        | 149,906                 | -  | -                                      | (932,792)                  | -                           |
| <b>Business-type activities:</b>     |                  |                         |  |  |                            |                             |
| Water                                | 487,758          | 392,957                 | -  | -                                      | -                          | (94,801)                    |
| Waste Water                          | 304,870          | 316,103                 | -  | -                                      | -                          | 11,233                      |
| Total business-type activities       | 792,628          | 709,060                 | -  | -                                      | -                          | (83,568)                    |
| Total primary government             | \$ 1,875,326     | \$ 858,966              | \$ -                                       | \$ -                                   | (932,792)                  | (83,568)                    |
| <b>Component units:</b>              |                  |                         |  |  |                            |                             |
| Downtown Development Authority       | \$ 23,636        | \$ -                    | \$ -                                       | \$ -                                   | -                          | -                           |
| Brownfield Redevelopment Authority   | 7,236            | -                       | -  | -                                      | -                          | -                           |
| Total component units                | \$ 30,872        | \$ -                    | \$ -                                       | \$ -                                   | -                          | -                           |
| General revenues:                    |                  |                         |  |  |                            |                             |
| Property taxes                       |                  |                         |  |  | 395,360                    | -                           |
| State shared revenues                |                  |                         |  |  | 313,674                    | -                           |
| Unrestricted investment earnings     |                  |                         |  |  | 348                        | -                           |
| Rental Income                        |                  |                         |  |  | 82,265                     | -                           |
| Gain on sale of land                 |                  |                         |  |  | 61,477                     | -                           |
| Miscellaneous                        |                  |                         |  |  | 34,435                     | 332                         |
| Transfers - internal balances        |                  |                         |  |  | 24,475                     | (24,475)                    |
| Total general revenues and transfers |                  |                         |  |  | 912,034                    | (24,143)                    |
| <b>Change in Net Position</b>        |                  |                         |  |  | (20,758)                   | (107,711)                   |
| <b>Net Position - Beginning</b>      |                  |                         |  |  | 1,816,084                  | 2,573,699                   |
| <b>Net Position - Ending</b>         |                  |                         |  |  | \$ 1,795,326               | \$ 2,465,988                |

See Notes to Financial Statements

**VILLAGE OF QUINCY**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**MARCH 31, 2015**

|  | <b>General<br/>Fund</b> | <b>Major<br/>Streets</b> | <b>Other<br/>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Totals</b>         |
|--|-------------------------|--------------------------|--|-----------------------|
| <b>ASSETS</b>                          |                         |                          |  |                       |
| Cash and investments                   | \$ 282,346              | \$ 133,289               | \$ 28,633  | \$ 444,268            |
| Accounts receivable                    | 6,212                   | -                        | -  | 6,212                 |
| Due from other governmental units      | 28,771                  | 18,482                   | 5,176  | 52,429                |
| Due from other funds                   | -                       | 262                      | 245  | 507                   |
| Prepaid expenses                       | 11,216                  | -                        | -  | 11,216                |
| <br>Total assets                       | <br><u>\$ 328,545</u>   | <br><u>\$ 152,033</u>    | <br><u>\$ 34,054</u>                                 | <br><u>\$ 514,632</u> |
| <b>LIABILITIES AND FUND BALANCE</b>    |                         |                          |  |                       |
| <b>LIABILITIES</b>                     |                         |                          |  |                       |
| Accounts payable                       | \$ 15,417               | \$ 267                   | \$ -   | \$ 15,684             |
| Accrued expenditures                   | 109                     | -                        | -  | 109                   |
| Due to other funds                     | 1,199                   | -                        | -  | 1,199                 |
| <br>Total liabilities                  | <br>16,725              | <br>267                  | <br>-  | <br>16,992            |
| <b>FUND BALANCE</b>                    |                         |                          |  |                       |
| Nonspendable                           | 11,216                  | -                        | -  | 11,216                |
| Restricted                             | -                       | 151,766                  | 34,054   | 185,820               |
| Unassigned                             | 300,604                 | -                        | -  | 300,604               |
| <br>Total fund balance                 | <br><u>311,820</u>      | <br><u>151,766</u>       | <br><u>34,054</u>                                    | <br><u>497,640</u>    |
| <br>Total liabilities and fund balance | <br><u>\$ 328,545</u>   | <br><u>\$ 152,033</u>    | <br><u>\$ 34,054</u>                                 | <br><u>\$ 514,632</u> |

**VILLAGE OF QUINCY**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO NET POSITION**  
**MARCH 31, 2015**

|   |                            |
|---|----------------------------|
| <b>Total Fund Balance - Governmental Funds</b>  | \$ 497,640                 |
| <p>Amounts reported for governmental activities in the statement<br/> of net assets are different because:</p>                  |                            |
| <p>Capital assets used in governmental activities are not financial<br/> resources and are not reported in funds:</p>           |                            |
| The cost of the capital assets  | 4,034,939                  |
| Accumulated depreciation  | <u>(2,482,253)</u>         |
| Total capital assets not reported in funds  | 1,552,686                  |
| <p>Long-term liabilities are not due and payable in the current period<br/> and are not reported in the governmental funds:</p> |                            |
| Bonds, notes and leases payable   | <u>(255,000)</u>           |
| <b>Total Net Position - Governmental Activities</b>   | <u><u>\$ 1,795,326</u></u> |



**VILLAGE OF QUINCY**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED MARCH 31, 2015**

|  | <b>General<br/>Fund</b> | <b>Major<br/>Streets</b> | <b>Other<br/>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Totals</b>     |
|--|-------------------------|--------------------------|--|-------------------|
| <b>REVENUES</b>  |                         |                          |  |                   |
| Taxes  | \$ 284,384              | \$ -                     | \$ 110,976   | \$ 395,360        |
| Licenses and permits   | 590                     | -                        | -  | 590               |
| State shared revenue   | 185,455                 | 96,552                   | 31,667   | 313,674           |
| Charges for services   | 143,417                 | -                        | -  | 143,417           |
| Fines and forfeitures  | 5,899                   | -                        | -  | 5,899             |
| Rent   | 108,134                 | -                        | -  | 108,134           |
| Interest income  | 125                     | 166                      | 57   | 348               |
| Other  | 34,435                  | -                        | -  | 34,435            |
| Total revenues   | <u>762,439</u>          | <u>96,718</u>            | <u>142,700</u>                                       | <u>1,001,857</u>  |
| <b>EXPENDITURES</b>  |                         |                          |  |                   |
| General government   | 345,903                 | -                        | -  | 345,903           |
| Public safety  | 214,967                 | -                        | -  | 214,967           |
| Public works   | 99,169                  | 120,208                  | 128,549  | 347,926           |
| Recreation and cultural  | 16,425                  | -                        | -  | 16,425            |
| Capital outlay   | 20,675                  | -                        | -  | 20,675            |
| Debt service   |                         |                          |  |                   |
| Principal  | -                       | -                        | 110,547  | 110,547           |
| Interest   | 750                     | -                        | 14,300   | 15,050            |
| Total expenditures   | <u>697,889</u>          | <u>120,208</u>           | <u>253,396</u>                                       | <u>1,071,493</u>  |
| Excess (deficiency) of revenues<br>over expenditures                                     | 64,550                  | (23,490)                 | (110,696)  | (69,636)          |
| <b>OTHER SOURCES (USES)</b>  |                         |                          |  |                   |
| Transfers from (to) other funds  | (100,372)               | -                        | 124,847  | 24,475            |
| Sale of land   | 61,477                  | -                        | -  | 61,477            |
| Total other sources (uses)   | <u>(38,895)</u>         | <u>-</u>                 | <u>124,847</u>                                       | <u>85,952</u>     |
| Excess (deficiency) of revenues<br>and other sources over<br>expenditures and other uses | 25,655                  | (23,490)                 | 14,151   | 16,316            |
| <b>FUND BALANCE - BEGINNING</b>  | <u>286,165</u>          | <u>175,256</u>           | <u>19,903</u>  | <u>481,324</u>    |
| <b>FUND BALANCE - ENDING</b>   | <u>\$ 311,820</u>       | <u>\$ 151,766</u>        | <u>\$ 34,054</u>                                     | <u>\$ 497,640</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, 2015**

|   |                                  |
|---|----------------------------------|
| <b>Net change in Fund Balance - Total Governmental Funds</b>  | <b>\$ 16,316</b>                 |
| Amounts reported for governmental activities in the statement of activities are different because:  |                                  |
| Depreciation expense  | (168,296)                        |
| Capital outlay  | <u>20,675</u>                    |
| Total   | (147,621)                        |
| 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): |                                  |
| Principal repayment   | <u>110,547</u>                   |
| <b>Change in Net Position of Governmental Activities</b>  | <b><u><u>\$ (20,758)</u></u></b> |

**VILLAGE OF QUINCY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**MARCH 31, 2015**

|  | <b>Waste<br/>Water<br/>Fund</b> | <b>Water<br/>Fund</b> | <b>Totals</b>       |
|--|---------------------------------|-----------------------|---------------------|
| <b>ASSETS</b>                                      |                                 |                       |                     |
| <b>Current assets:</b>                             |                                 |                       |                     |
| Cash and investments                               | \$ 43,930                       | \$ 29,092             | \$ 73,022           |
| Accounts receivable                                | 29,424                          | 35,708                | 65,132              |
| Inventories  | 18,827                          | 44,750                | 63,577              |
| Due from other funds                               | 10,000                          | 692                   | 10,692              |
| Prepaid and other assets                           | 3,681                           | 4,074                 | 7,755               |
| Total current assets                               | 105,862                         | 114,316               | 220,178             |
| <b>Noncurrent assets:</b>                          |                                 |                       |                     |
| Capital assets, less accumulated depreciation      | 1,096,731                       | 1,951,896             | 3,048,627           |
| Restricted assets - Cash                           | -                               | 60,000                | 60,000              |
| Total noncurrent assets                            | 1,096,731                       | 2,011,896             | 3,108,627           |
| Total assets                                       | <u>\$ 1,202,593</u>             | <u>\$ 2,126,212</u>   | <u>\$ 3,328,805</u> |
| <b>LIABILITIES AND NET POSITION</b>                |                                 |                       |                     |
| <b>LIABILITIES</b>                                 |                                 |                       |                     |
| <b>Current liabilities:</b>                        |                                 |                       |                     |
| Accounts payable                                   | \$ 705                          | \$ 21,352             | \$ 22,057           |
| Accrued expenditures                               | -                               | 4,760                 | 4,760               |
| Due to other funds                                 | -                               | 10,000                | 10,000              |
| Bonds and notes payable, due within one year       | -                               | 62,000                | 62,000              |
| Total current liabilities                          | 705                             | 98,112                | 98,817              |
| <b>Noncurrent liabilities</b>                      |                                 |                       |                     |
| Bonds and notes payable, due in more than one year | -                               | 764,000               | 764,000             |
| Total liabilities                                  | 705                             | 862,112               | 862,817             |
| <b>NET POSITION</b>                                |                                 |                       |                     |
| Investment in capital assets, net of related debt  | 1,096,731                       | 1,125,896             | 2,222,627           |
| Restricted   | -                               | 60,000                | 60,000              |
| Unrestricted                                       | 105,157                         | 78,204                | 183,361             |
| Total net position                                 | <u>\$ 1,201,888</u>             | <u>\$ 1,264,100</u>   | <u>\$ 2,465,988</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, 2015**

|   | <u>Waste<br/>Water<br/>Fund</u> | <u>Water<br/>Fund</u> | <u>Totals</u>       |
|---|---------------------------------|-----------------------|---------------------|
| <b>REVENUES</b>   |                                 |                       |                     |
| Charges for services  | \$ 316,103                      | \$ 392,957            | \$ 709,060          |
| <b>OPERATING EXPENSES</b>                                   |                                 |                       |                     |
| Operations  | 235,313                         | 342,377               | 577,690             |
| Depreciation  | 69,557                          | 120,559               | 190,116             |
| Total operating expenditures                                | <u>304,870</u>                  | <u>462,936</u>        | <u>767,806</u>      |
| <b>OPERATING INCOME (LOSS)</b>                              | 11,233                          | (69,979)              | (58,746)            |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                     |                                 |                       |                     |
| Investment income   | 113                             | 219                   | 332                 |
| Interest expense  | -                               | (24,822)              | (24,822)            |
| Total nonoperating revenues (expenses)                      | <u>113</u>                      | <u>(24,603)</u>       | <u>(24,490)</u>     |
| <b>INCOME (LOSS) BEFORE TRANSFERS<br/>AND CONTRIBUTIONS</b> | 11,346                          | (94,582)              | (83,236)            |
| <b>TRANSFERS</b>  |                                 |                       |                     |
| To other funds  | -                               | (24,475)              | (24,475)            |
| <b>CHANGE IN NET POSITION</b>                               | 11,346                          | (119,057)             | (107,711)           |
| <b>NET POSITION - BEGINNING</b>                             | <u>1,190,542</u>                | <u>1,383,157</u>      | <u>2,573,699</u>    |
| <b>NET POSITION - ENDING</b>                                | <u>\$ 1,201,888</u>             | <u>\$ 1,264,100</u>   | <u>\$ 2,465,988</u> |

**VILLAGE OF QUINCY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2015**

|  | <b>Waste<br/>Water<br/>Fund</b> | <b>Water<br/>Fund</b> | <b>Totals</b>     |
|--|---------------------------------|-----------------------|-------------------|
|  | <u>          </u>               | <u>          </u>     | <u>          </u> |
| <b>CASH FLOWS FROM OPERATING<br/>ACTIVITIES</b>                            |                                 |                       |                   |
| Cash received from customers   | \$ 309,804                      | \$ 389,812            | \$ 699,616        |
| Payments made to suppliers   | (206,038)                       | (232,178)             | (438,216)         |
| Payments made to employees   | (59,983)                        | (78,730)              | (138,713)         |
|  | <u>          </u>               | <u>          </u>     | <u>          </u> |
| Net cash provided by<br>operating activities                               | 43,783                          | 78,904                | 122,687           |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING<br/>ACTIVITIES</b>                 |                                 |                       |                   |
| Transfer out   | -                               | (24,475)              | (24,475)          |
| <b>CASH FLOWS FROM CAPITAL AND<br/>RELATED FINANCING ACTIVITIES</b>        |                                 |                       |                   |
| Principal and interest paid on capital debt                                | -                               | (915,822)             | (915,822)         |
| Proceeds of issuance of bonds  | -                               | 873,000               | 873,000           |
| Purchase of capital assets   | (41,798)                        | -                     | (41,798)          |
|  | <u>          </u>               | <u>          </u>     | <u>          </u> |
| Net cash provided by (used in)<br>capital and related financing activities | (41,798)                        | (42,822)              | (84,620)          |
| <b>CASH FLOWS FROM INVESTING<br/>ACTIVITIES</b>                            |                                 |                       |                   |
| Interest received on investments   | 113                             | 219                   | 332               |
|  | <u>          </u>               | <u>          </u>     | <u>          </u> |
| <b>NET INCREASE (DECREASE) IN CASH<br/>AND CASH EQUIVALENTS</b>            | 2,098                           | 11,826                | 13,924            |
| <b>CASH AND CASH EQUIVALENTS -<br/>BEGINNING</b>                           | 41,832                          | 77,266                | 119,098           |
|  | <u>          </u>               | <u>          </u>     | <u>          </u> |
| <b>CASH AND CASH EQUIVALENTS -<br/>ENDING</b>                              | <u>\$ 43,930</u>                | <u>\$ 89,092</u>      | <u>\$ 133,022</u> |

See Notes to Financial Statements

**VILLAGE OF QUINCY**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS - Continued  
FOR THE YEAR ENDED MARCH 31, 2015**

|  | <b>Waste<br/>Water<br/>Fund</b> | <b>Water<br/>Fund</b> | <b>Totals</b>     |
|--|---------------------------------|-----------------------|-------------------|
|  | <u>          </u>               | <u>          </u>     | <u>          </u> |
| <b>RECONCILIATION OF OPERATING<br/>INCOME (LOSS) TO NET CASH FROM<br/>OPERATING ACTIVITIES</b> |                                 |                       |                   |
| Operating income (loss)  | \$ 11,233                       | \$ (69,979)           | \$ (58,746)       |
| Adjustments to reconcile operating income (loss)<br>to net cash from operating activities:     |                                 |                       |                   |
| Depreciation   | 69,557                          | 120,559               | 190,116           |
| Changes in assets and liabilities:   |                                 |                       |                   |
| Receivables  | (6,299)                         | (3,145)               | (9,444)           |
| Prepays and other assets   | (593)                           | (636)                 | (1,229)           |
| Due from others  | 67,383                          | 8,752                 | 76,135            |
| Due to other funds   | (9,444)                         | 10,000                | 556               |
| Accounts payable   | (85,616)                        | 18,538                | (67,078)          |
| Accrued expenditures   | (2,438)                         | (5,185)               | (7,623)           |
|  | <u>          </u>               | <u>          </u>     | <u>          </u> |
| Net cash provided by<br>operating activities   | <u>\$ 43,783</u>                | <u>\$ 78,904</u>      | <u>\$ 122,687</u> |

**VILLAGE OF QUINCY**  
**COMPONENT UNITS**  
**STATEMENT OF NET POSITION**  
**MARCH 31, 2015**

|   | <b>Downtown<br/>Development<br/>Authority</b> | <b>Brownfield<br/>Redevelopment<br/>Authority</b> | <b>Total</b> |
|---|---|---|--------------|
| <b>ASSETS</b>                             |   |   |              |
| Cash and cash equivalents                 | \$ 23,222                                     | \$ 3,767  | \$ 26,989    |
| Due from DDA                              | -   | 3,210   | 3,210        |
| Total assets                              | 23,222  | 6,977   | 30,199       |
| <b>LIABILITIES</b>                        |   |   |              |
| Due to Brownfield Redevelopment Authority | 3,210   | -   | 3,210        |
| <b>NET POSITION</b>                       |   |   |              |
| Restricted                                | \$ 20,012                                     | \$ 6,977  | \$ 26,989    |

**VILLAGE OF QUINCY**  
**COMPONENT UNITS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2015**

**Net (Expense) Revenue and Changes in Net Position**

| <b>Functions/Programs</b>           | <b>Downtown<br/>Development<br/>Authority</b> | <b>Brownfield<br/>Redevelopment<br/>Authority</b> | <b>Total</b>  |
|-------------------------------------|---|---|---------------|
| Downtown Development Authority      | \$ (23,636)                                   | \$ -  | \$ (23,636)   |
| Brownfield Redevelopment Authority  | -   | (7,236)   | (7,236)       |
| <br>Total component activities      | <br>(23,636)                                  | <br>(7,236)                                       | <br>(30,872)  |
| <br>General revenues:               |   |   |               |
| Property taxes                      | 27,312  | -   | 27,312        |
| <br><b>Change in Net Position</b>   | <br>3,676                                     | <br>(7,236)                                       | <br>(3,560)   |
| <br><b>Net Position - Beginning</b> | <br>16,336                                    | <br>14,213  | <br>30,549    |
| <br><b>Net Position - Ending</b>    | <br>\$ 20,012                                 | <br>\$ 6,977                                      | <br>\$ 26,989 |



**VILLAGE OF QUINCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2015**

**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, 2015

#### 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.

##### **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.

## VILLAGE OF QUINCY

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2015

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

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

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

**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, 2015

#### 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 2014 taxable valuation of the Village totaled \$22,526,630 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, 2015**

**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, 2015

#### 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, 2015

#### 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, 2015

#### 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, 2015, \$398,113 of the Village's bank balance of \$652,385 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, 2015**

**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, 2015, for the Village are as follows:

**MAJOR STREETS FUND**

Due from General Fund \$ 262

**LOCAL STREETS FUND**

Due from General Fund \$ 245

**WASTEWATER FUND**

Due from Water Fund \$ 10,000

**WATER FUND**

Due from General Fund \$ 692

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, 2015**

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

Transfers from (to) other funds, during the year ended March 31, 2015, for the Village are as follows:

|                                      |                     |
|--------------------------------------|---------------------|
| <b>GENERAL FUND</b>                  |                     |
| Transfer to Debt Service Fund        | <u>\$ (100,372)</u> |
| <b>LOCAL STREETS FUND</b>            |                     |
| Transfer from Municipal Streets Fund | <u>\$ 20,000</u>    |
| <b>MUNICIPAL STREETS FUND</b>        |                     |
| Transfer to Local Streets Fund       | <u>\$ (20,000)</u>  |
| <b>DEBT SERVICE FUND</b>             |                     |
| Transfer from General Fund           | \$ 100,372          |
| Transfer from Water Fund             | <u>24,475</u>       |
| Total                                | <u>\$ 124,847</u>   |
| <b>WATER FUND</b>                    |                     |
| Transfer to Debt Service Fund        | <u>\$ (24,475)</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, 2015**

**NOTE E – CAPITAL ASSETS**

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

**GOVERNMENTAL ACTIVITIES**

|  | <u>Balance<br/>April 1, 2014</u> | <u>Additions</u>    | <u>Disposals</u> | <u>Balance<br/>March 31, 2015</u> |
|--|----------------------------------|---------------------|------------------|-----------------------------------|
| <b>GROUP:</b>                                |                                  |                     |                  |                                   |
| Capital assets, not being depreciated:       |                                  |                     |                  |                                   |
| Land   | \$ 454,300                       | \$ -                | \$ -             | \$ 454,300                        |
| Construction in progress                     | -                                | 20,675              | -                | 20,675                            |
| Total capital assets, not being depreciated: | 454,300                          | 20,675              | -                | 474,975                           |
| Capital assets, being depreciated            |                                  |                     |                  |                                   |
| Land improvements                            | 2,257,389                        | -                   | -                | 2,257,389                         |
| Buildings                                    | 624,328                          | -                   | -                | 624,328                           |
| Equipment                                    | 678,247                          | -                   | -                | 678,247                           |
| Total assets being depreciated               | 3,559,964                        | -                   | -                | 3,559,964                         |
| Total assets                                 | 4,014,264                        | 20,675              | -                | 4,034,939                         |
| <b>ACCUMULATED DEPRECIATION:</b>             |                                  |                     |                  |                                   |
| Land improvements                            | 1,484,456                        | 119,092             | -                | 1,603,548                         |
| Buildings                                    | 300,035                          | 17,226              | -                | 317,261                           |
| Equipment                                    | 529,466                          | 31,978              | -                | 561,444                           |
| Total accumulated depreciation               | 2,313,957                        | 168,296             | -                | 2,482,253                         |
| Net capital assets                           | <u>\$ 1,700,307</u>              | <u>\$ (147,621)</u> | <u>\$ -</u>      | <u>\$ 1,552,686</u>               |

**VILLAGE OF QUINCY**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED MARCH 31, 2015**

**NOTE E – CAPITAL ASSETS – Continued  
BUSINESS-TYPE ACTIVITIES**

|  | <u>Balance<br/>April 1, 2014</u> | <u>Additions</u>    | <u>Disposals</u> | <u>Balance<br/>March 31, 2015</u> |
|--|----------------------------------|---------------------|------------------|-----------------------------------|
| <b>GROUP:</b>                                |                                  |                     |                  |                                   |
| Capital assets, not being depreciated:       |                                  |                     |                  |                                   |
| Land   | \$ 21,851                        | \$ -                | \$ -             | \$ 21,851                         |
| Construction in progress                     | 235,992                          | 33,242              | -                | 269,234                           |
| Total capital assets, not being depreciated: | 257,843                          | 33,242              | -                | 291,085                           |
| Capital assets, being depreciated            |                                  |                     |                  |                                   |
| Buildings                                    | 136,225                          | -                   | -                | 136,225                           |
| Equipment                                    | 498,076                          | 8,556               | -                | 506,632                           |
| Infrastructure                               | 5,547,297                        | -                   | -                | 5,547,297                         |
| Total assets being depreciated               | 6,181,598                        | 8,556               | -                | 6,190,154                         |
| Total assets                                 | 6,439,441                        | 41,798              | -                | 6,481,239                         |
| <b>ACCUMULATED DEPRECIATION:</b>             |                                  |                     |                  |                                   |
| Buildings                                    | 116,084                          | 1,831               | -                | 117,915                           |
| Equipment                                    | 304,023                          | 24,864              | -                | 328,887                           |
| Infrastructure                               | 2,822,389                        | 163,421             | -                | 2,985,810                         |
| Total accumulated depreciation               | 3,242,496                        | 190,116             | -                | 3,432,612                         |
| Net capital assets                           | <u>\$ 3,196,945</u>              | <u>\$ (148,318)</u> | <u>\$ -</u>      | <u>\$ 3,048,627</u>               |

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

**GOVERNMENTAL ACTIVITIES:**

|                               |                   |
|-------------------------------|-------------------|
| General government            | \$ 31,978         |
| Public works                  | 135,356           |
| Recreation and cultural       | 962               |
| Total governmental activities | <u>\$ 168,296</u> |

**BUSINESS -TYPE ACTIVITIES:**

|                                |                   |
|--------------------------------|-------------------|
| Water                          | 120,559           |
| Waste water                    | 69,557            |
| Total business-type activities | <u>\$ 190,116</u> |

**VILLAGE OF QUINCY**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED MARCH 31, 2015**

**NOTE F – LONG-TERM DEBT**

|                                 | <u>Balance</u><br><u>April 1, 2014</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u><br><u>March 31, 2015</u> |
|---------------------------------|--|------------------|-------------------|---|
| <b>Governmental Activities:</b> |  |                  |                   |   |
| 2002 Capital improvement bonds  | \$ 225,000                             | \$ -             | \$ 70,000         | \$ 155,000                              |
| 2007 Capital improvement bonds  | 120,000                                | -                | 20,000            | 100,000                                 |
| 2010 Dump truck note payable    | 17,787                                 | -                | 17,787            | -                                       |
| 2011 Capital lease copier       | 2,760                                  | -                | 2,760             | -                                       |
|                                 | <u>365,547</u>                         | <u>-</u>         | <u>110,547</u>    | <u>255,000</u>                          |
| Total governmental activities   | <u>\$ 365,547</u>                      | <u>\$ -</u>      | <u>\$ 110,547</u> | <u>\$ 255,000</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%,<br>annual payments ranging from \$75,000 to \$80,000, due October 2016 | \$ 155,000        |
| Series 2007 Capital Improvement Bonds, interest rate of 4.22%,<br>annual payments of \$25,000, due October 2018                      | <u>100,000</u>    |
| Total  | <u>\$ 255,000</u> |

Annual requirements to service debt

|       | <u>Governmental Activities</u> |                  |                   |
|-------|--------------------------------|------------------|-------------------|
|       | <u>Principal</u>               | <u>Interest</u>  | <u>Total</u>      |
| 2016  | \$ 100,000                     | \$ 9,450         | \$ 109,450        |
| 2017  | 105,000                        | 4,569            | 109,569           |
| 2018  | 25,000                         | 1,550            | 26,550            |
| 2019  | 25,000                         | 519              | 25,519            |
| Total | <u>\$ 255,000</u>              | <u>\$ 16,088</u> | <u>\$ 271,088</u> |

**VILLAGE OF QUINCY**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED MARCH 31, 2015**

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

**BUSINESS TYPE ACTIVITIES**

|                                 | <b>Balance</b>       |                   |                   | <b>Balance</b>        |
|---------------------------------|----------------------|-------------------|-------------------|-----------------------|
|                                 | <b>April 1, 2014</b> | <b>Additions</b>  | <b>Reductions</b> | <b>March 31, 2015</b> |
| <b>Business-type Activities</b> |                      |                   |                   |                       |
| 1997 Water supply revenue bonds | \$ 844,000           | \$ -              | \$ 844,000        | \$ -                  |
| 2014 Water supply revenue bonds | -                    | 873,000           | 47,000            | 826,000               |
| Total                           | <u>\$ 844,000</u>    | <u>\$ 873,000</u> | <u>\$ 891,000</u> | <u>\$ 826,000</u>     |

Series 2014 Water Supply Revenue Bonds, interest rate ranging from 0.90% to 3.40%, annual principal payments ranging from \$62,000 to \$79,000, due January 2027

\$ 826,000

**REFUNDING OF BONDS**

In July, 2014, the Village of Quincy issued Water Supply System Revenue Refunding bonds of \$873,000 with an interest rate ranging from 0.75% to 3.40% to advance \$844,000 of refund bonds with an interest rate of 4.50%. The bonds mature in January 2027. The Water Supply System Revenue Refunding bonds were issued at par after paying issuance costs of \$25,575 which includes underwriters discount, the net proceeds were \$873,000. The net proceeds from the issuance of the Water Supply System Revenue Refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the Series 1997 Water Supply Revenue bonds were removed from the Village’s government-wide financial statements.

As a result of the advance refunding, the Village reduced its total debt service requirements by \$324,830, which resulted in an economic gain, difference between present value of the debt services payments on the old and new debt of \$144,839.

The Village has defeased Series 1997 Water Supply System Revenue bonds by placing the proceeds of new bond in an irrevocable trust to provide for all future debt service payments on the old bond. Accordingly, the trust account assets and liability for the defeased bond is not included in the Village’s financial statements. At March 31, 2015, \$844,000 of bonds outstanding is considered defeased, paid on July 31, 2014.

## VILLAGE OF QUINCY

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2015

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

| Annual requirements to service debt | Business-type Activities |                   |                   |
|-------------------------------------|--------------------------|-------------------|-------------------|
|                                     | Principal                | Interest          | Total             |
| 2016                                | \$ 62,000                | \$ 19,038         | \$ 81,038         |
| 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         |
| 2021-2025                           | 351,000                  | 56,682            | \$ 407,682        |
| 2026-2027                           | 156,000                  | 7,874             | \$ 163,874        |
| Total                               | <u>\$ 826,000</u>        | <u>\$ 152,923</u> | <u>\$ 978,923</u> |

Interest expense for the year ended March 31, 2015 was \$24,822 for Business-type Activities and \$15,050 for the Governmental Activities.

#### 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.

#### 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, 2015, amounted to \$17,449 for the Governmental Activities and \$5,306 for Business-type Activities.

**VILLAGE OF QUINCY**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED MARCH 31, 2015**

**NOTE I – CONTINGENCY**

The Village of Quincy is involved in ongoing litigation. The outcome of the litigation cannot be determined at this time. It is the opinion of management that the outcome will have no material effect on the financial position of the Village.



**VILLAGE OF QUINCY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED MARCH 31, 2015**

|   | <u>Budgeted Amounts</u> |              |               | <b>Variance<br/>with Final<br/>Budget</b> |
|---|-------------------------|--------------|---------------|---|
|   | <u>Original</u>         | <u>Final</u> | <u>Actual</u> |   |
| <b>REVENUES</b>   |                         |              |               |   |
| Taxes   | \$ 286,442              | \$ 286,322   | \$ 284,384    | \$ (1,938)                                |
| License and permits   | 2,200                   | 2,450        | 590           | (1,860)                                   |
| State shared revenue  | 185,151                 | 185,151      | 185,455       | 304                                       |
| Charges for services  | 142,326                 | 144,326      | 143,417       | (909)                                     |
| Rent  | 112,813                 | 118,200      | 108,134       | (10,066)                                  |
| Interest earned   | 200                     | 200          | 125           | (75)                                      |
| Fines and forfeitures   | 7,500                   | 7,500        | 5,899         | (1,601)                                   |
| Other   | 23,000                  | 40,000       | 34,435        | (5,565)                                   |
| Total revenues  | 759,632                 | 784,149      | 762,439       | (21,710)                                  |
| <b>EXPENDITURES</b>   |                         |              |               |   |
| General government  | 310,448                 | 359,863      | 345,903       | (13,960)                                  |
| Public safety   | 204,416                 | 218,248      | 214,967       | (3,281)                                   |
| Public works  | 110,944                 | 111,698      | 99,169        | (12,529)                                  |
| Recreation & cultural   | -                       | 17,485       | 16,425        | (1,060)                                   |
| Capital Outlay  | -                       | -            | 20,675        | 20,675                                    |
| Debt service  |                         |              |               |   |
| Principal   | -                       | -            | -             | -   |
| Interest  | 750                     | 750          | 750           | -   |
| Total expenditures  | 626,558                 | 708,044      | 697,889       | (10,155)                                  |
| Excess of revenues<br>over expenditures                                     | 133,074                 | 76,105       | 64,550        | (11,555)                                  |
| <b>OTHER SOURCES (USES)</b>   |                         |              |               |   |
| Transfers from (to) other funds   | (116,588)               | (116,588)    | (100,372)     | 16,216                                    |
| Sale of land  | -                       | 60,000       | 61,477        | 1,477                                     |
| Total other sources (uses)  | (116,588)               | (56,588)     | (38,895)      | 17,693                                    |
| Excess of revenues<br>and other sources over<br>expenditures and other uses | 16,486                  | 19,517       | 25,655        | 6,138                                     |
| <b>FUND BALANCE - BEGINNING</b>   | 286,165                 | 286,165      | 286,165       | -   |
| <b>FUND BALANCE - ENDING</b>  | \$ 302,651              | \$ 305,682   | \$ 311,820    | \$ 6,138                                  |

**VILLAGE OF QUINCY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**MAJOR STREETS FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED MARCH 31, 2015**

|  | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | <u>Variance<br/>with Final<br/>Budget</u> |
|--|-------------------------|-------------------|-------------------|---|
|  | <u>Original</u>         | <u>Final</u>      |                   |   |
| <b>REVENUES</b>                                      |                         |                   |                   |   |
| Interest income                                      | \$ 75                   | \$ 167            | \$ 166            | \$ (1)                                    |
| State shared revenue                                 | 88,629                  | 100,500           | 96,552            | (3,948)                                   |
| Total revenue  | 88,704                  | 100,667           | 96,718            | (3,949)                                   |
| <b>EXPENDITURES</b>                                  |                         |                   |                   |   |
| Public works   | 156,410                 | 125,975           | 120,208           | (5,767)                                   |
| Excess (deficiency) of revenues<br>over expenditures | (67,706)                | (25,308)          | (23,490)          | 1,818                                     |
| <b>FUND BALANCE - BEGINNING</b>                      | 175,256                 | 175,256           | 175,256           | -   |
| <b>FUND BALANCE - ENDING</b>                         | <u>\$ 107,550</u>       | <u>\$ 149,948</u> | <u>\$ 151,766</u> | <u>\$ 1,818</u>                           |

**VILLAGE OF QUINCY**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED MARCH 31, 2015**

**NOTE A - COMPLIANCE WITH STATE REGULATIONS**

A comparison of actual results of operations to the budgeted amounts, at the level of control adopted by the Village, for the General Fund is presented as Required Supplemental Information. The budget is adopted on the functional level.

During the year the Village incurred expenditures that were in excess of the amounts budgeted, as follows:

|                | <u>Final<br/>Budget</u> | <u>Actual</u> |
|----------------|-------------------------|---------------|
| General Fund   |                         |               |
| Capital Outlay | \$ -                    | \$ 20,675     |

**VILLAGE OF QUINCY**  
**OTHER SUPPLEMENTAL INFORMATION**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**MARCH 31, 2015**

**Nonmajor Special Revenue Funds**

|                                     | <u><b>Local<br/>Streets</b></u> | <u><b>Municipal<br/>Streets</b></u> | <u><b>Debt<br/>Service</b></u> | <u><b>Totals</b></u> |
|-------------------------------------|---------------------------------|-------------------------------------|--------------------------------|----------------------|
| <b>ASSETS</b>                       |                                 |                                     |                                |                      |
| Cash and investments                | \$ 17,466                       | \$ 11,167                           | \$ -                           | \$ 28,633            |
| Due from other governmental units   | 5,176                           | -                                   | -                              | 5,176                |
| Due from other funds                | 245                             | -                                   | -                              | 245                  |
|                                     | <hr/>                           | <hr/>                               | <hr/>                          | <hr/>                |
| Total assets                        | <u>\$ 22,887</u>                | <u>\$ 11,167</u>                    | <u>\$ -</u>                    | <u>\$ 34,054</u>     |
| <b>LIABILITIES AND FUND BALANCE</b> |                                 |                                     |                                |                      |
| <b>LIABILITIES</b>                  | \$ -                            | \$ -                                | \$ -                           | \$ -                 |
| <b>FUND BALANCE</b>                 |                                 |                                     |                                |                      |
| Restricted                          | <hr/> 22,887                    | <hr/> 11,167                        | <hr/> -                        | <hr/> 34,054         |
|                                     | <hr/>                           | <hr/>                               | <hr/>                          | <hr/>                |
| Total liabilities and fund balance  | <u>\$ 22,887</u>                | <u>\$ 11,167</u>                    | <u>\$ -</u>                    | <u>\$ 34,054</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, 2015**

|  | <u>Nonmajor Special Revenue Funds</u> |                          |                     | <u>Totals</u>    |
|--|---------------------------------------|--------------------------|---------------------|------------------|
|  | <u>Local Streets</u>                  | <u>Municipal Streets</u> | <u>Debt Service</u> |                  |
| <b>REVENUES</b>  |                                       |                          |                     |                  |
| Taxes  | \$ -                                  | \$ 110,976               | \$ -                | \$ 110,976       |
| State shared revenue   | 31,667                                | -                        | -                   | 31,667           |
| Interest income  | 57                                    | -                        | -                   | 57               |
| <b>Total revenues</b>  | <b>31,724</b>                         | <b>110,976</b>           | <b>-</b>            | <b>142,700</b>   |
| <b>EXPENDITURES</b>  |                                       |                          |                     |                  |
| Public works   | 48,375                                | 80,174                   | -                   | 128,549          |
| Debt service   |                                       |                          |                     |                  |
| Principal  | -                                     | -                        | 110,547             | 110,547          |
| Interest   | -                                     | -                        | 14,300              | 14,300           |
| <b>Total expenditures</b>  | <b>48,375</b>                         | <b>80,174</b>            | <b>124,847</b>      | <b>253,396</b>   |
| Excess (deficiency) of revenues over expenditures                                  | (16,651)                              | 30,802                   | (124,847)           | (110,696)        |
| <b>OTHER SOURCES (USES)</b>  |                                       |                          |                     |                  |
| Transfers from (to) other funds  | 20,000                                | (20,000)                 | 124,847             | 124,847          |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | 3,349                                 | 10,802                   | -                   | 14,151           |
| <b>FUND BALANCE - BEGINNING</b>  | <b>19,538</b>                         | <b>365</b>               | <b>-</b>            | <b>19,903</b>    |
| <b>FUND BALANCE - ENDING</b>   | <b>\$ 22,887</b>                      | <b>\$ 11,167</b>         | <b>\$ -</b>         | <b>\$ 34,054</b> |



**INDEPENDENT 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  
Branch County, Michigan**

**June 8, 2015**

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 Village of Quincy, as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise Village of Quincy, Michigan's basic financial statements and have issued our report thereon dated June 8, 2015.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily 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.

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. We consider the deficiency described below to be material weaknesses.

1. Michigan governments are required to prepare financial statements in accordance with United States Generally Accepted Accounting Principles (GAAP). Responsibility for the financial statements rests with the Village's management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data and reporting government-wide and fund financial statements including the related note disclosures.

It has historically been common for many small to medium-size governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at the Village of Quincy. The cause for this condition is because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

2. Due to the size of staff the Village of Quincy lacks adequate segregation of duties. We understand due to the size of needed staff, a proper 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.

**Compliance and Other Matters:** As part of obtaining reasonable assurance about whether Village of Quincy'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.

Village Council  
Village of Quincy  
Branch County, Michigan

June 8, 2015

**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**





June 8, 2015

To the Members of the Village Board  
Village of Quincy  
Branch County, Michigan

We have audited the financial statements of each major fund of the Village of Quincy as of and for the year ended March 31, 2015. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

**Significant Audit Findings**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Quincy are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Village has no significant sensitive amounts that need to be emphasized to the financial statement user.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

### **Audit Adjustments**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in aggregate, to the financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management letter dated June 8, 2015.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entities financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In planning and performing our audit of the financial statements of the Village of Quincy as of and for the year ended March 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Quincy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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 financial statements will not be prevented, or detected on a timely basis. We believe the following deficiencies constitute material weaknesses:

1. Michigan governments are required to prepare financial statements in accordance with United States Generally Accepted Accounting Principles (GAAP). Responsibility for the financial statements rests with the Village's management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data and reporting government-wide and fund financial statements including the related note disclosures.

It has historically been common for many small to medium-size governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at the Village of Quincy. The cause for this condition is because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

2. Due to the size of staff the Village of Quincy lacks adequate segregation of duties. We understand due to the size of needed staff, a proper 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.

### **Upcoming Changes in Regulations and Standards**

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the District in the future. If you have questions regarding these standards, please contact us for further explanation.

#### **GASB 68 Accounting and Financial Reporting for Pensions** – Effective 6/15/2015

The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost sharing plan. The Statement also will improve comparability and consistency of how governments calculate the pension liabilities and expense.

#### **Uniform Guidance for Federal Audits** – Effective 12/26/2015

The Office of Management and Budget (OMB) has consolidated seven separate circulars into a single federal regulation. The new Uniform Guidance covers all aspects of federal grants from pre-award through the single audit. While much of the guidance was simply reorganized and recodified, there were also several substantive changes to the single audit thresholds. A single audit will now only be required if total expenditures of federal awards exceed \$750,000. The OMB has indicated that there will be further changes to the single audit announced in 2015.

This communication is intended solely for the information and use of management, Members of the Village Board and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Taylor, Plant & Watkins, P.C.*  
TAYLOR, PLANT & WATKINS, P.C.