

**VILLAGE OF QUINCY
BRANCH COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

MARCH 31, 2013

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INDEPENDENT AUDITOR'S REPORT

**Village Council
Village of Quincy, Michigan**

August 27, 2013

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 as of and for the year ended March 31, 2013, 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 and each major fund and the aggregate remaining fund information of the Village of Quincy as of March 31, 2013 and the respective changes in financial position, 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 36 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2013, on our consideration of the Village of Quincy, 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'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, 2013. 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, 2013:

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$4,317,792 (net assets). Of this amount, \$560,604 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total net position increased by \$28,749. The increase is due to elimination of the internal service fund.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$526,961, a decrease of \$31,525 in comparison with the prior year. Approximately 71% of the fund balance, or \$373,042, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$373,042 or 54% of total general fund expenditures.
- The Village's total debt decreased by \$142,648 during the current fiscal year.

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

The Village as a Whole

The following table shows, in condensed format, the balance sheet as of the current date and compared to the prior year under the modified accrual basis:

	Governmental Funds		Enterprise Funds		Total	
	2013	2012	2013	2012	2013	2012
Assets	\$ 538,552	\$ 609,098	\$ 3,319,220	\$ 3,608,295	\$ 3,857,772	\$ 4,217,393
Liabilities	11,591	231,110	884,891	914,763	896,482	1,145,873
Fund Equity						
Investment in capital - Net of related debt	-	-	2,253,425	2,391,236	2,253,425	2,391,236
Retained earnings:						
Unrestricted	-	-	180,904	302,296	180,904	302,296
Fund balances:						
Nonspendable	6,658	3,083	-	-	6,658	3,083
Restricted	147,261	179,212	50,000	-	197,261	179,212
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	373,042	194,693	-	-	373,042	194,693
Total fund equity	\$ 526,961	\$ 376,988	\$ 2,484,329	\$ 2,693,532	\$ 3,011,290	\$ 3,070,520

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:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	\$ 538,552	\$ 522,482	\$ 201,795	\$ 333,059	\$ 740,347	\$ 855,541
Capital assets	1,798,893	1,780,852	3,117,425	3,275,236	4,916,318	5,056,088
Total assets	2,337,445	2,303,334	3,319,220	3,608,295	5,656,665	5,911,629
Liabilities						
Long-term debt outstanding	492,391	614,437	864,000	884,602	1,356,391	1,499,039
Other liabilities	11,591	19,515	20,891	30,161	32,482	49,676
Total liabilities	503,982	633,952	884,891	914,763	1,388,873	1,548,715
Net Position						
Investment in capital assets- Net of related debt	1,306,502	1,196,607	2,253,425	2,391,236	3,559,927	3,587,843
Restricted	147,261	179,625	50,000	-	197,261	179,625
Unrestricted	379,700	293,150	180,904	302,296	560,604	595,446
Total net position	\$ 1,833,463	\$ 1,669,382	\$ 2,484,329	\$ 2,693,532	\$ 4,317,792	\$ 4,362,914

VILLAGE OF QUINCY

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

The following table shows the changes of the fund equity during the current year and as compared to the prior year, under the modified accrual basis:

	Governmental Funds		Enterprise Funds		Total	
	2013	2012	2013	2012	2013	2012
Revenue						
Taxes	\$ 421,528	\$ 359,155	\$ -	\$ -	\$ 421,528	\$ 359,155
Licenses and permits	200	490	-	-	200	490
State shared revenue	293,118	291,594	-	-	293,118	291,594
Charges for services	132,968	19,334	680,265	642,683	813,233	662,017
Fines and forfeitures	499	1,446	-	-	499	1,446
Rent	111,725	26,398	-	-	111,725	26,398
Interest income	747	330	-	-	747	330
Contributions	-	-	-	578	-	578
Other income	17,806	164,497	330	-	18,136	164,497
Total income	978,591	863,244	680,595	643,261	1,659,186	1,506,505
Program expenses						
General government	274,884	239,873	-	-	274,884	239,873
Public safety	176,932	191,913	-	-	176,932	191,913
Public works	267,874	291,249	-	-	267,874	291,249
Recreation and cultural	17	124	-	-	17	124
Capital outlay	173,040	38,207	-	-	173,040	38,207
Debt service	143,444	112,518	-	-	143,444	112,518
Water	-	-	476,568	501,351	476,568	501,351
Waste water	-	-	313,284	320,917	313,284	320,917
Total expenses	1,036,191	873,884	789,852	822,268	1,826,043	1,696,152
Excess (deficit) of revenues over expenditures	(57,600)	(10,640)	(109,257)	(179,007)	(166,857)	(189,647)
Other Sources (Uses)	26,075	21,775	(26,075)	(21,775)	-	-
Change in fund equity	\$ (31,525)	\$ 11,135	\$ (135,332)	\$ (200,782)	\$ (166,857)	\$ (189,647)

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	
	2013	2012	2013	2012
Revenues				
Program revenues:				
Charges for services	\$ 133,667	\$ 21,270	\$ 680,265	\$ 642,683
Operating grants and contributions	-	115,312	-	578
Capital grants and contributions	-	329,945	-	-
General revenues:				
Property taxes	421,528	359,155	-	-
State shared revenues	293,118	176,612	-	-
Unrestricted investment earnings	747	-	-	-
Rental Income	90,208	-	-	-
Grants and contributions not restricted	-	177,474	-	-
Other	17,806	641	330	-
Total revenues	957,074	1,180,409	680,595	643,261
Expenses				
General government	298,975	267,806	-	-
Public safety	200,434	183,429	-	-
Public works	306,115	402,669	-	-
Recreation and cultural	979	124	-	-
Interest	12,565	25,498	-	-
Water	-	-	476,568	501,351
Waste water	-	-	313,284	320,917
Total expenses	819,068	879,526	789,852	822,268
Change in net position before transfers	138,006	300,883	(109,257)	(179,007)
Transfers	26,075	21,775	(26,075)	(21,775)
Change in net position (decrease)	<u>\$ 164,081</u>	<u>\$ 322,658</u>	<u>\$ (135,332)</u>	<u>\$ (200,782)</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 \$526,961, a decrease of \$31,525 in comparison with prior year. Approximately 71 percent of this total amount (\$373,042) constitutes unassigned fund balance. Approximately 28 percent (\$147,261) 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 \$839 during the current fiscal year. This increase is due to a conservative reduction in spending by the Village. There was a transfer to the local streets fund to pay for part of the Hawley road construction. The Village also eliminated the internal service fund which caused an increase in the fund balance beginning of the general fund to increase by \$181,498.

The major street fund has a total fund balance of \$143,348, an increase of \$12,457 during the year. The increase is due to conservative spending and large project of maintenance on street system completed in prior year.

The local street fund had a decrease in the fund balance of \$4,824 during the year for an ending fund balance of \$3,803. The decrease is due to street system maintenance planned by the Village.

The municipal streets fund has a total fund balance of \$110, with a decrease of \$39,997 during the current year. The decrease is a result of large transfer to local streets for the Hawley street construction.

Enterprise Funds

Unrestricted net position of the waste water and water enterprise funds at the end of the year amounted to \$72,596 and \$158,308, respectively. The waste water fund had a decrease of \$8,044 and the water fund had a decrease of \$127,288 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, 2013, amounted to \$4,916,318 (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 \$1,356,391. The Village's debt decreased by \$139,111 during the current fiscal year. State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total taxable valuation. The current debt limitation for the Village is \$2,235,770, 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 2013 – 2014 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, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 468,362	\$ 64,170	\$ 532,532	\$ 14,647
Accounts receivable	7,368	59,008	66,376	495
Inventory	-	63,577	63,577	-
Due from other governmental units	56,164	-	56,164	43
Prepaid expenses	6,658	5,596	12,254	-
Capital assets, less accumulated depreciation	1,798,893	3,117,425	4,916,318	-
Total assets	2,337,445	3,309,776	5,647,221	15,185
LIABILITIES				
Accounts payable	7,703	1,727	9,430	-
Accrued expenditures	133	9,720	9,853	-
Deferred revenue	3,755	-	3,755	-
Due to others	-	-	-	-
Long term liabilities:				
Bonds payable, due within one year	126,980	20,000	146,980	-
Bonds and notes payable, due in more than one year	365,411	844,000	1,209,411	-
Total liabilities	503,982	875,447	1,379,429	-
NET POSITION				
Investment in capital assets - net of related debt	1,306,502	2,253,425	3,559,927	-
Restricted	147,261	50,000	197,261	-
Unrestricted	379,700	180,904	560,604	15,185
Total net position	<u>\$ 1,833,463</u>	<u>\$ 2,484,329</u>	<u>\$ 4,317,792</u>	<u>\$ 15,185</u>

See Notes to Financial Statements

VILLAGE OF QUINCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating / Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 298,975	\$ 133,667	\$ -	\$ -
Public safety	200,434	-	-	-
Public works	306,115	-	-	-
Recreation and cultural	979	-	-	-
Interest	12,565	-	-	-
Total governmental activities	819,068	133,667	-	-
Business-type activities:				
Water	476,568	375,189	-	-
Waste Water	313,284	305,076	-	-
Total business-type activities	789,852	680,265	-	-
Total primary government	\$ 1,608,920	\$ 813,932	\$ -	\$ -
Component units:				
Downtown Development Authority	\$ 24,857	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	44,000	-	-	-
Local Development Authority	-	-	-	-
Total component units	\$ 68,857	\$ -	\$ -	\$ -

General revenues:

Property taxes
State shared revenues
Unrestricted investment earnings
Rental Income
Miscellaneous
Transfers - internal balances

Total general revenues and transfers

Change in Net Position

Net Position - Beginning - restated

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total	Component Units
\$ (165,308)	\$ -	\$ (165,308)	\$ -
(200,434)	-	(200,434)	-
(306,115)	-	(306,115)	-
(979)	-	(979)	-
(12,565)	-	(12,565)	-
(685,401)	-	(685,401)	-
-	(101,379)	(101,379)	-
-	(8,208)	(8,208)	-
-	(109,587)	(109,587)	-
(685,401)	(109,587)	(794,988)	-
-	-	-	(24,857)
-	-	-	(44,000)
-	-	-	-
-	-	-	(68,857)
421,528	-	421,528	71,120
293,118	-	293,118	-
747	-	747	-
90,208	-	-	-
17,806	330	18,136	-
26,075	(26,075)	-	-
849,482	(25,745)	823,737	71,120
164,081	(135,332)	28,749	2,263
1,669,382	2,619,661	4,289,043	12,922
<u>\$ 1,833,463</u>	<u>\$ 2,484,329</u>	<u>\$ 4,317,792</u>	<u>\$ 15,185</u>

VILLAGE OF QUINCY
GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2013

	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Municipal Streets</u>
ASSETS				
Cash and investments	\$ 340,596	\$ 128,539	\$ (883)	\$ 110
Accounts receivable	7,368	-	-	-
Due from other governmental units	36,369	14,959	4,836	-
Prepaid expenses	6,658	-	-	-
	<u>390,991</u>	<u>143,498</u>	<u>3,953</u>	<u>110</u>
Total assets	<u>\$ 390,991</u>	<u>\$ 143,498</u>	<u>\$ 3,953</u>	<u>\$ 110</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 7,403	\$ 150	\$ 150	\$ -
Accrued expenditures	133	-	-	-
Deferred revenue	3,755	-	-	-
	<u>11,291</u>	<u>150</u>	<u>150</u>	<u>-</u>
Total liabilities	11,291	150	150	-
FUND BALANCE				
Nonspendable	6,658	-	-	-
Restricted	-	143,348	3,803	110
Unassigned	373,042	-	-	-
	<u>379,700</u>	<u>143,348</u>	<u>3,803</u>	<u>110</u>
Total fund balance	<u>379,700</u>	<u>143,348</u>	<u>3,803</u>	<u>110</u>
Total liabilities and fund balance	<u>\$ 390,991</u>	<u>\$ 143,498</u>	<u>\$ 3,953</u>	<u>\$ 110</u>

See Notes to Financial Statements

Debt Service	Totals
\$ -	\$ 468,362
-	7,368
-	56,164
-	6,658
<u>\$ -</u>	<u>\$ 538,552</u>
\$ -	\$ 7,703
-	133
-	3,755
<u>-</u>	<u>11,591</u>
-	6,658
-	147,261
-	373,042
<u>-</u>	<u>526,961</u>
<u>\$ -</u>	<u>\$ 538,552</u>

VILLAGE OF QUINCY
GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF
GOVERNMENTAL FUNDS TO NET POSITION
MARCH 31, 2013

Total Fund Balance - Governmental Funds	\$ 526,961
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and are not reported in funds:</p>	
The cost of the capital assets	3,944,105
Accumulated depreciation	<u>(2,145,212)</u>
Total capital assets not reported in funds	1,798,893
<p>Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:</p>	
Bonds, notes and leases payable	<u>(492,391)</u>
Total Net Position - Governmental Activities	<u><u>\$ 1,833,463</u></u>

VILLAGE OF QUINCY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2013

	General Fund	Major Streets	Local Streets	Municipal Streets
REVENUES				
Taxes	\$ 298,380	\$ -	\$ -	\$ 123,148
Licenses and permits	200	-	-	-
State shared revenue	179,291	84,822	29,005	-
Charges for services	132,968	-	-	-
Fines and forfeitures	499	-	-	-
Rent	111,725	-	-	-
Interest income	607	89	51	-
Other	17,806	-	-	-
Total revenues	<u>741,476</u>	<u>84,911</u>	<u>29,056</u>	<u>123,148</u>
EXPENDITURES				
General government	274,884	-	-	-
Public safety	176,932	-	-	-
Public works	91,435	32,454	40,840	103,145
Recreation and cultural	17	-	-	-
Capital outlay	30,000	-	143,040	-
Debt service				
Principal	99,111	-	-	-
Interest	18,258	-	-	-
Total expenditures	<u>690,637</u>	<u>32,454</u>	<u>183,880</u>	<u>103,145</u>
Excess (deficiency) of revenues over expenditures	50,839	52,457	(154,824)	20,003
OTHER SOURCES (USES)				
Transfers from (to) other funds	<u>(50,000)</u>	<u>(40,000)</u>	<u>150,000</u>	<u>(60,000)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	839	12,457	(4,824)	(39,997)
FUND BALANCE - BEGINNING	<u>378,861</u>	<u>130,891</u>	<u>8,627</u>	<u>40,107</u>
FUND BALANCE - ENDING	<u><u>\$ 379,700</u></u>	<u><u>\$ 143,348</u></u>	<u><u>\$ 3,803</u></u>	<u><u>\$ 110</u></u>

See Notes to Financial Statements

<u>Debt Service</u>	<u>Totals</u>
\$ -	\$ 421,528
-	200
-	293,118
-	132,968
-	499
-	111,725
-	747
-	17,806
-	978,591
-	274,884
-	176,932
-	267,874
-	17
-	173,040
20,000	119,111
6,075	24,333
26,075	1,036,191
(26,075)	(57,600)
26,075	26,075
-	(31,525)
-	558,486
\$ -	\$ 526,961
\$ -	\$ 526,961

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, 2013

Net change in Fund Balance - Total Governmental Funds	\$ (31,525)
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense	(154,999)
Capital outlay	173,040
	18,041
Total	
Long-term receivables recorded as revenue in the statement of activities when the receivable is recorded; they are not reported in the funds until collected:	
Payments received	(23,502)
Internal service funds were used by management to charge costs of certain activities to certain funds. The internal service funds were eliminated during the current year reporting all costs in the appropriate fund.	
Elimination of internal balances	67,253
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	119,111
Change in accrued interest payable on long-term debt	11,768
Decreases in compensated absences are reported as an increase to expenditures	2,935
	164,081
Change in Net Position of Governmental Activities	\$ 164,081

VILLAGE OF QUINCY
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
MARCH 31, 2013

	Waste Water Fund	Water Fund	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 36,156	\$ 28,014	\$ 64,170
Accounts receivable	24,594	34,414	59,008
Inventories	18,827	44,750	63,577
Due from other funds	-	9,444	9,444
Prepaid and other assets	2,625	2,971	5,596
Total current assets	82,202	119,593	201,795
Noncurrent assets:			
Capital assets, less accumulated depreciation	957,860	2,159,565	3,117,425
Restricted assets - Cash	-	50,000	-
Total noncurrent assets	957,860	2,209,565	3,117,425
Total assets	<u>\$ 1,040,062</u>	<u>\$ 2,329,158</u>	<u>\$ 3,319,220</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 162	\$ 1,565	\$ 1,727
Accrued expenditures	-	9,720	9,720
Due to other funds	9,444	-	9,444
Bonds and notes payable, due within one year	-	20,000	20,000
Total current liabilities	9,606	31,285	40,891
Noncurrent liabilities			
Bonds and notes payable, due in more than one year	-	844,000	844,000
Total liabilities	9,606	875,285	884,891
NET POSITION			
Investment in capital assets, net of related debt	957,860	1,295,565	2,253,425
Restricted	-	50,000	50,000
Unrestricted	72,596	108,308	180,904
Total net position	<u>\$ 1,030,456</u>	<u>\$ 1,453,873</u>	<u>\$ 2,484,329</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, 2013

	Waste Water Fund	Water Fund	Totals
REVENUES			
Charges for services	\$ 305,076	\$ 375,189	\$ 680,265
OPERATING EXPENSES			
Operations	247,120	313,068	560,188
Depreciation	66,164	123,533	189,697
Total operating expenditures	313,284	436,601	749,885
OPERATING INCOME (LOSS)	(8,208)	(61,412)	(69,620)
NONOPERATING REVENUES (EXPENSES)			
Investment income	164	166	330
Interest expense	-	(39,967)	(39,967)
Total nonoperating revenues (expenses)	164	(39,801)	(39,637)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(8,044)	(101,213)	(109,257)
TRANSFERS			
To other funds	-	(26,075)	(26,075)
CHANGE IN NET POSITION	(8,044)	(127,288)	(135,332)
NET POSITION - BEGINNING	1,038,500	1,581,161	2,619,661
NET POSITION - ENDING	<u>\$ 1,030,456</u>	<u>\$ 1,453,873</u>	<u>\$ 2,484,329</u>

VILLAGE OF QUINCY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2013

	Waste Water Fund	Water Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 303,530	\$ 372,611	\$ 676,141
Payments made to suppliers	(255,386)	(197,071)	(452,457)
Payments made to employees	(53,716)	(75,629)	(129,345)
Net cash provided by (used in) operating activities	(5,572)	99,911	94,339
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer out	-	(26,075)	(26,075)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal and interest paid on capital debt	-	(59,964)	(59,964)
Purchase of capital assets	(31,889)	-	(31,889)
Net cash provided by (used in) capital and related financing activities	(31,889)	(59,964)	(91,853)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	164	166	330
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(37,297)	14,038	(23,259)
CASH AND CASH EQUIVALENTS - BEGINNING	73,453	63,976	137,429
CASH AND CASH EQUIVALENTS - ENDING	\$ 36,156	\$ 78,014	\$ 114,170

See Notes to Financial Statements

VILLAGE OF QUINCY

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS - Continued
FOR THE YEAR ENDED MARCH 31, 2013**

	Waste Water Fund	Water Fund	Totals
	<hr/>	<hr/>	<hr/>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (8,208)	\$ (61,412)	\$ (69,620)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	66,164	123,533	189,697
Changes in assets and liabilities:			
Receivables	(1,546)	(2,578)	(4,124)
Prepays and other assets	(66)	(79)	(145)
Due from (to) other funds	(43,450)	41,297	(2,153)
Accounts payable	(18,165)	(324)	(18,489)
Accrued expenditures	-	(225)	(225)
Compensated absences	(301)	(301)	(602)
	<hr/>	<hr/>	<hr/>
Net cash provided by (used in) operating activities	<u>\$ (5,572)</u>	<u>\$ 99,911</u>	<u>\$ 94,339</u>

VILLAGE OF QUINCY
COMPONENT UNITS
STATEMENT OF NET POSITION
MARCH 31, 2013

	Downtown Development Authority	Brownfield Redevelopment Authority	Local Development Finance Authority	Total
ASSETS				
Cash and cash equivalents	\$ 12,198	\$ 2,449	\$ -	\$ 14,647
Accounts receivable	495	-	-	495
Due from General Fund	-	-	43	43
Total assets	<u>12,693</u>	<u>2,449</u>	<u>43</u>	<u>15,185</u>
LIABILITIES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Unrestricted	<u>\$ 12,693</u>	<u>\$ 2,449</u>	<u>\$ 43</u>	<u>\$ 15,185</u>

VILLAGE OF QUINCY
COMPONENT UNITS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2013

Net (Expense) Revenue and Changes in Net Position				
	Downtown Development Authority	Brownfield Redevelopment Authority	Local Development Finance Authority	Total
Functions/Programs				
Downtown Development Authority	\$ (24,857)	\$ -	\$ -	\$ (24,857)
Brownfield Redevelopment Authority	-	(44,000)	-	(44,000)
Local Development Finance Authority	-	-	-	-
Total component activities	(24,857)	(44,000)	-	(68,857)
General revenues:				
Property taxes	26,868	44,252	-	71,120
Change in Net Position	2,011	252	-	2,263
Net Position - Beginning	10,682	2,197	43	12,922
Net Position - Ending	<u>\$ 12,693</u>	<u>\$ 2,449</u>	<u>\$ 43</u>	<u>\$ 15,185</u>

VILLAGE OF QUINCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

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 7 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.

The Local Development Finance Authority (LDFA) was created to provide means and methods for the encouragement and assistance of industry in relocating, purchasing, constructing, improving, or expanding within the Village.

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 14, 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, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements, the statement of net assets 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. Taxes and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. 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, 2013

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.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State shared revenues.

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.

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

VILLAGE OF QUINCY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION: - Continued

MAJOR GOVERNMENTAL FUNDS – Continued

Municipal Streets Fund is used to account for the use of resources raised by a millage for the maintenance of municipal streets.

Debt Service Fund is used to account for principal and interest payments made on long-term debt.

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 2012 taxable valuation of the Village totaled \$22,357,701 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, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES AND NET ASSETS:

Deposits 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

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. A 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 assets.

VILLAGE OF QUINCY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES AND NET ASSETS: – Continued

Fund Balance – The Statement 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.

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.

VILLAGE OF QUINCY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES AND NET ASSETS: – Continued

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.

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.

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.

VILLAGE OF QUINCY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2013

NOTE B – DEPOSITS AND INVESTMENTS – Continued

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, 2013, \$391,642 of the Village's bank balance of \$645,283 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.

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

VILLAGE OF QUINCY

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED MARCH 31, 2013**

NOTE C – TRANSFERS FROM (TO) OTHER FUNDS

Transfers from (to) other funds, during the year ended March 31, 2013, for the Village are as follows:

GENERAL FUND

Transfer to Local Streets \$ (50,000)

MAJOR STREETS FUND

Transfer to Local Streets Fund \$ (40,000)

LOCAL STREETS FUND

Transfer from General Fund \$ 50,000

Transfer from Major Streets Fund 40,000

Transfer from Municipal Streets Fund 60,000

Total \$ 150,000

MUNICIPAL STREETS FUND

Transfer to Local Streets Fund \$ (60,000)

DEBT SERVICE FUND

Transfer from Water Fund \$ 26,075

WATER FUND

Transfer to Debt Service Fund \$ (26,075)

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, 2013**

NOTE D – CAPITAL ASSETS

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

GOVERNMENTAL ACTIVITIES

	<u>Balance April 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance March 31, 2013</u>
GROUP:				
Capital assets, not being depreciated:				
Land	\$ 454,300	\$ -	\$ -	\$ 454,300
Capital assets, being depreciated				
Land improvements	2,114,349	143,040	-	2,257,389
Buildings	624,328	-	-	624,328
Equipment	623,088	30,000	45,000	608,088
Total assets being depreciated	<u>3,361,765</u>	<u>173,040</u>	<u>45,000</u>	<u>3,489,805</u>
Total assets	3,816,065	173,040	45,000	3,944,105
ACCUMULATED DEPRECIATION:				
Land improvements	1,254,616	110,747	-	1,365,363
Buildings	265,581	17,226	-	282,807
Equipment	515,016	27,026	45,000	497,042
Total accumulated depreciation	<u>2,035,213</u>	<u>154,999</u>	<u>45,000</u>	<u>2,145,212</u>
Net capital assets	<u>\$ 1,780,852</u>	<u>\$ 18,041</u>	<u>\$ -</u>	<u>\$ 1,798,893</u>

VILLAGE OF QUINCY

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED MARCH 31, 2013**

NOTE D – CAPITAL ASSETS – Continued

BUSINESS-TYPE ACTIVITIES

	<u>Balance April 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance March 31, 2013</u>
GROUP:				
Capital assets, not being depreciated:				
Land	\$ 21,851	\$ -	\$ -	\$ 21,851
Capital assets, being depreciated				
Buildings	136,225	-	-	136,225
Equipment	457,201	31,886	-	489,087
Infrastructure	5,520,715	-	-	5,520,715
Total assets being depreciated	<u>6,114,141</u>	<u>31,886</u>	<u>-</u>	<u>6,146,027</u>
Total assets	6,135,992	31,886	-	6,167,878
ACCUMULATED DEPRECIATION:				
Buildings	110,015	4,238	-	114,253
Equipment	253,430	23,368	-	276,798
Infrastructure	2,497,311	162,091	-	2,659,402
Total accumulated depreciation	<u>2,860,756</u>	<u>189,697</u>	<u>-</u>	<u>3,050,453</u>
Net capital assets	<u>\$ 3,275,236</u>	<u>\$ (157,811)</u>	<u>\$ -</u>	<u>\$ 3,117,425</u>

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

GOVERNMENTAL ACTIVITIES:

General government	\$ 27,026
Public works	127,011
Recreation and cultural	962
Total governmental activities	<u>\$ 154,999</u>

BUSINESS -TYPE ACTIVITIES:

Water	123,533
Waste water	66,164
Total business-type activities	<u>\$ 189,697</u>

VILLAGE OF QUINCY

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED MARCH 31, 2013**

NOTE E – LONG-TERM DEBT

	Balance			Balance
	April 1, 2012	Additions	Reductions	March 31, 2013
Governmental Activities:				
2002 Capital improvement bonds	\$ 350,000	\$ -	\$ 60,000	\$ 290,000
2007 Capital improvement bonds	160,000	-	20,000	140,000
2009 Fire truck note payable	27,257	-	13,363	13,894
2010 Dump truck note payable	65,479	-	22,850	42,629
2011 Capital lease copier	8,766	-	2,898	5,868
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	611,502	-	119,111	492,391
Compensated absences	2,935	-	2,935	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total governmental activities	<u>\$ 614,437</u>	<u>\$ -</u>	<u>\$ 122,046</u>	<u>\$ 492,391</u>

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

GOVERNMENTAL ACTIVITIES

Series 2002 Capital Improvement Bonds, interest rate of 2.5% to 5.0%, annual payments ranging from \$60,000 to \$80,000, due October 2016	\$ 290,000
Series 2007 Capital Improvement Bonds, interest rate of 4.22%, annual payments ranging from \$20,000 to \$25,000, due October 2018	140,000
Note payable to bank at an interest rate of 4.85%, quarterly payments of \$3,623, due January 2014, secured by Fire Truck	13,894
Note payable to bank at an interest rate of 4.29%, monthly payments of \$2,186, due November 2014, secured by Dump Truck	42,629
Capital lease at an interest rate of 7.0%, monthly payments of \$285, secured by copier	<hr/> 5,868
Total	<hr/> <u>\$ 492,391</u>

VILLAGE OF QUINCY

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED MARCH 31, 2013**

NOTE E – LONG-TERM DEBT – Continued

Annual requirements to service debt	Governmental Activities		
	Principal	Interest	Total
2014	\$ 126,980	\$ 19,974	\$ 146,954
2015	110,411	14,318	124,729
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>\$ 492,391</u>	<u>\$ 50,380</u>	<u>\$ 542,771</u>

BUSINESS TYPE ACTIVITIES

	Balance	Additions	Reductions	Balance
	April 1, 2012			March 31, 2013
Business-type Activities				
1997 Water supply revenue bonds	\$ 884,000	\$ -	\$ 20,000	\$ 864,000
Compensated absences	602	-	602	-
Total business-type activities	<u>\$ 884,602</u>	<u>\$ -</u>	<u>\$ 20,602</u>	<u>\$ 864,000</u>

Series 1997 Water Supply Revenue Bonds, interest rate of 4.50%,
annual payments ranging from \$20,000 to \$53,000, due January 2037 \$ 864,000

Annual requirements to service debt	Business-type Activities		
	Principal	Interest	Total
2014	\$ 20,000	\$ 38,880	\$ 58,880
2015	22,000	37,980	59,980
2016	22,000	36,990	58,990
2017	24,000	36,000	60,000
2018	25,000	34,920	59,920
2019-2023	142,000	156,780	298,780
2024-2028	178,000	121,590	299,590
2029-2033	220,000	78,075	298,075
2034-2037	211,000	23,985	234,985
Total	<u>\$ 864,000</u>	<u>\$ 565,200</u>	<u>\$ 1,429,200</u>

Interest expense for the year ended March 31, 2013 was \$39,967 for Business-type Activities and \$18,258 for the Governmental Activities.

VILLAGE OF QUINCY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2013

NOTE F – RISK MANAGEMENT

The Village is exposed to various risk of loss related to torts; errors and omissions; injuries to employee's 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 G – 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 a third-party insurance company. 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, 2013, amounted to \$14,619.

VILLAGE OF QUINCY
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 289,250	\$ 298,648	\$ 298,380	\$ (268)
License and permits	500	200	200	-
State shared revenue	160,000	172,997	179,291	6,294
Charges for services	131,640	132,640	132,968	328
Rent	99,700	102,345	111,725	9,380
Interest earned	750	650	607	(43)
Fines and forfeitures	1,000	750	499	(251)
Other	15,200	18,300	17,806	(494)
Total revenues	698,040	726,530	741,476	14,946
EXPENDITURES				
General government	314,001	290,604	274,884	(15,720)
Public safety	191,913	181,546	176,932	(4,614)
Public works	63,062	96,829	91,435	(5,394)
Recreation and cultural	-	17	17	-
Capital Outlay	30,000	30,000	30,000	-
Debt service				
Principal	73,000	98,000	99,111	1,111
Interest	20,240	22,740	18,258	(4,482)
Total expenditures	692,216	719,736	690,637	(29,099)
Excess of revenues over expenditures	5,824	6,794	50,839	44,045
OTHER SOURCES (USES)				
Transfers from (to) other funds	-	(50,000)	(50,000)	-
Total other sources (uses)	-	(50,000)	(50,000)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	5,824	(43,206)	839	44,045
FUND BALANCE - BEGINNING	197,364	378,861	378,861	-
FUND BALANCE - ENDING	<u>\$ 203,188</u>	<u>\$ 335,655</u>	<u>\$ 379,700</u>	<u>\$ 44,045</u>

VILLAGE OF QUINCY
REQUIRED SUPPLEMENTAL INFORMATION
MAJOR STREETS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest income	\$ 500	\$ 500	\$ 89	\$ (411)
State shared revenue	78,300	86,077	84,822	(1,255)
Total revenue	78,800	86,577	84,911	(1,666)
EXPENDITURES				
Public works	71,658	41,213	32,454	(8,759)
Excess of revenues over expenditures	7,142	45,364	52,457	7,093
OTHER SOURCES (USES)				
Transfer from (to) other funds	-	(40,000)	(40,000)	-
Excess of revenues and other sources over expenditures and other uses	7,142	5,364	12,457	7,093
FUND BALANCE - BEGINNING	130,891	130,891	130,891	-
FUND BALANCE - ENDING	<u>\$ 138,033</u>	<u>\$ 136,255</u>	<u>\$ 143,348</u>	<u>\$ 7,093</u>

VILLAGE OF QUINCY
REQUIRED SUPPLEMENTAL INFORMATION
LOCAL STREETS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest income	\$ 75	\$ 75	\$ 51	\$ (24)
State shared revenue	24,400	30,577	29,005	(1,572)
Total revenue	24,475	30,652	29,056	(1,596)
EXPENDITURES				
Public works	63,421	43,571	40,840	(2,731)
Capital outlay	-	143,040	143,040	-
Total expenditures	63,421	186,611	183,880	(2,731)
Excess (deficiency) of revenues over expenditures	(38,946)	(155,959)	(154,824)	1,135
OTHER SOURCES				
Transfer from other funds	40,000	150,000	150,000	-
Excess (deficiency) of revenues and other sources over expenditures	1,054	(5,959)	(4,824)	1,135
FUND BALANCE - BEGINNING	<u>8,627</u>	<u>8,627</u>	<u>8,627</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 9,681</u>	<u>\$ 2,668</u>	<u>\$ 3,803</u>	<u>\$ 1,135</u>

VILLAGE OF QUINCY
REQUIRED SUPPLEMENTAL INFORMATION
MUNICIPAL STREETS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 115,000	\$ 123,148	\$ 123,148	\$ -
EXPENDITURES				
Public works	32,000	103,144	103,145	1
Excess of revenues over expenditures	83,000	20,004	20,003	(1)
OTHER SOURCES (USES)				
Transfer from (to) other funds	(83,000)	(60,000)	(60,000)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(39,996)	(39,997)	(1)
FUND BALANCE - BEGINNING	40,106	40,106	40,107	1
FUND BALANCE - ENDING	<u>\$ 40,106</u>	<u>\$ 110</u>	<u>\$ 110</u>	<u>\$ -</u>



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, Michigan**

August 27, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise Village of Quincy's basic financial statements and have issued our report thereon dated August 27, 2013.

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. 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.

This report is intended 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.

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



August 27, 2013

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, 2013. 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 August 27, 2013.

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, 2013, 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.

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.