

**VILLAGE OF QUINCY
BRANCH COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

MARCH 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

August 27, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Village of Quincy, Michigan as of March 31, 2018, 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 and budgetary comparison information, listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Quincy, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2018, 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 the effectiveness of the Village of Quincy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering 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, 2018. 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, 2018:

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$4,739,995 (net position). Of this amount, \$230,868 (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 \$737,115. The increase is due primarily to the increase of revenue from Federal sources.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$139,781, a decrease of \$11,704 in comparison with the prior year. Approximately 42% of the fund balance, or \$59,282, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$59,282 or 7% of total general fund expenditures.
- The Village received Capital Improvement Bonds in relation to water projects in progress during the year, and the Village's total debt increased by \$790,206.

Using this Annual Report

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

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

VILLAGE OF QUINCY

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

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

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

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

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

VILLAGE OF QUINCY

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

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

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

The Village as a Whole

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 190,192	\$ 161,874	\$ 476,232	\$ 396,734	\$ 666,424	\$ 558,608
Capital assets	2,037,009	1,856,768	8,246,048	6,895,414	10,283,057	8,752,182
Total assets	2,227,201	2,018,642	8,722,280	7,292,148	10,949,481	9,310,790
Liabilities						
Long-term debt outstanding	462,259	578,053	5,549,000	4,643,000	6,011,259	5,221,053
Other liabilities	50,411	10,389	111,043	76,468	161,454	86,857
Total liabilities	512,670	588,442	5,660,043	4,719,468	6,172,713	5,307,910
Deferred Inflows of Resources						
Unearned revenue	-	-	36,773	-	36,773	-
Total liabilities and deferred inflows of resources	512,670	588,442	5,696,816	4,719,468	6,209,486	5,307,910
Net Position						
Investment in capital assets- Net of related debt	1,574,750	1,278,715	2,697,048	2,252,414	4,271,798	3,531,129
Restricted	63,630	86,427	173,699	121,050	237,329	207,477
Unrestricted	76,151	65,058	154,717	199,216	230,868	264,274
Total net position	\$ 1,714,531	\$ 1,430,200	\$ 3,025,464	\$ 2,572,680	\$ 4,739,995	\$ 4,002,880

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	
	2018	2017	2018	2017
Revenues				
Program revenues:				
Charges for services	\$ 208,596	\$ 197,307	\$ 923,407	\$ 806,475
Operating grants and contributions	-	-	157,545	356,468
Capital grants and contributions	341,103	-	660,126	-
General revenues:				
Property taxes	371,542	383,851	-	-
State shared revenues	378,835	328,444	-	-
Unrestricted investment earnings	50	31	-	-
Rental Income	108,822	49,757	-	-
Reimbursements	86,833	68,708	-	-
Other	53,850	72,603	64	123
Total revenues	1,549,631	1,100,701	1,741,142	1,163,066
Expenses				
General government	482,093	398,472	-	-
Public safety	292,384	295,890	-	-
Public works	440,569	424,234	-	-
Recreation and cultural	60,662	24,646	-	-
Interest	15,620	18,035	-	-
Water	-	-	465,567	401,712
Waste water	-	-	771,762	768,346
Rubbish	-	-	25,001	-
Total expenses	1,291,328	1,161,277	1,262,330	1,170,058
Change in net positon before transfers	258,303	(60,576)	478,812	(6,992)
Transfers	26,028	-	(26,028)	-
Change in net position (decrease)	<u>\$ 284,331</u>	<u>\$ (60,576)</u>	<u>\$ 452,784</u>	<u>\$ (6,992)</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 \$139,781, a decrease of \$11,704 in comparison with prior year. Approximately 42 percent of this total amount (\$59,282) constitutes unassigned fund balance. Approximately 46 percent (\$63,630) 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 \$11,093 during the current fiscal year. This increase is due to increased equipment rental income and reimbursement income and no large capital outlay during the current year.

The major street fund has a total fund balance of \$42,455, an increase of \$27,019 during the year. The increase is due to increased State revenue sharing income and a transfer from municipal streets fund to cover streets projects completed during year.

The local street fund had a decrease in the fund balance of \$34,189, during the year for an ending fund balance of \$1,296. The decrease is due to increased expenditures during the year.

The municipal streets fund has a total fund balance of \$19,879, with a decrease of \$15,627 during the current year. The decrease is due to a transfer being made to major streets to cover street projects during the current year.

Enterprise Funds

Unrestricted net position of the waste water, water and rubbish enterprise funds at the end of the year amounted to \$61,344, \$85,978 and \$7,395, respectively. The waste water fund had an increase of \$99,752, the water fund had an increase of \$345,637 and the rubbish fund had an increase of \$7,395 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, 2018, amounted to \$10,283,057 (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 \$6,011,259. The Village's debt increased by \$790,206 during the current fiscal year. State statutes limit the amount of general obligation debt which for the Village currently is \$462,259, a governmental entity may issue to 10 percent of its total taxable valuation. The current debt limitation for the Village is \$2,293,953, 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 2018 – 2019 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, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 48,936	\$ 142,490	\$ 191,426	\$ 14,360
Accounts receivable	44,794	84,639	129,433	-
Inventory	-	63,577	63,577	-
Due from other governmental units	73,261	-	73,261	3,210
Due from others	6,332	-	6,332	-
Prepaid expenses	16,869	11,827	28,696	-
Restricted assets - Cash	-	173,699	173,699	-
Capital assets, less accumulated depreciation	2,037,009	8,246,048	10,283,057	-
Total assets	2,227,201	8,722,280	10,949,481	17,570
LIABILITIES				
Accounts payable	50,411	48,294	98,705	-
Accrued expenditures	-	62,749	62,749	-
Due to others	-	-	-	9,542
Long term liabilities:				
Bonds payable, due within one year	116,505	162,000	278,505	-
Bonds and notes payable, due in more than one year	345,754	5,387,000	5,732,754	-
Total liabilities	512,670	5,660,043	6,172,713	9,542
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	-	36,773	36,773	-
Total liabilities and deferred inflows of resources	512,670	5,696,816	6,209,486	9,542
NET POSITION				
Investment in capital assets - net of related debt	1,574,750	2,697,048	4,271,798	-
Restricted	63,630	173,699	237,329	8,028
Unrestricted	76,151	154,717	230,868	-
Total net position	<u>\$ 1,714,531</u>	<u>\$ 3,025,464</u>	<u>\$ 4,739,995</u>	<u>\$ 8,028</u>

See Notes to Financial Statements

VILLAGE OF QUINCY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating / Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 482,093	\$ 184,596	\$ -	\$ -	\$ (297,497)	\$ -	\$ (297,497)	\$ -
Public safety	292,384	24,000	-	-	(268,384)	-	(268,384)	-
Public works	440,569	-	-	341,103	(99,466)	-	(99,466)	-
Recreation and cultural	60,662	-	-	-	(60,662)	-	(60,662)	-
Interest	15,620	-	-	-	(15,620)	-	(15,620)	-
Total governmental activities	1,291,328	208,596	-	341,103	(741,629)	-	(741,629)	-
Business-type activities:								
Water	465,567	469,238	-	367,962	-	371,633	371,633	-
Waste Water	771,762	421,773	157,545	292,164	-	99,720	99,720	-
Rubbish	25,001	32,396	-	-	-	7,395	7,395	-
Total business-type activities	1,262,330	923,407	157,545	660,126	-	478,748	478,748	-
Total primary government	<u>\$ 2,553,658</u>	<u>\$ 1,132,003</u>	<u>\$ 157,545</u>	<u>\$ 1,001,229</u>	(741,629)	478,748	(262,881)	-
Component units:								
Downtown Development Authority	\$ 19,300	\$ -	\$ -	\$ -	-	-	-	(19,300)
Brownfield Redevelopment Authority	-	-	-	-	-	-	-	-
Total component units	<u>\$ 19,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	-	-	(19,300)
General revenues:								
Property taxes					371,542	-	371,542	18,777
State shared revenues					378,835	-	378,835	-
Unrestricted investment earnings					50	64	114	-
Rental Income					108,822	-	108,822	-
Reimbursements					86,833	-	86,833	-
Miscellaneous					53,850	-	53,850	-
Transfers - internal balances					26,028	(26,028)	-	-
Total general revenues and transfers					1,025,960	(25,964)	999,996	18,777
Change in Net Position					284,331	452,784	737,115	(523)
Net Position - Beginning					1,430,200	2,572,680	4,002,880	8,551
Net Position - Ending					<u>\$ 1,714,531</u>	<u>\$ 3,025,464</u>	<u>\$ 4,739,995</u>	<u>\$ 8,028</u>

See Notes to Financial Statements

VILLAGE OF QUINCY
GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2018

	General Fund	Major Streets	Local Streets	Other Nonmajor Governmental Funds	Totals
ASSETS					
Cash and investments	\$ 28,649	\$ 12,798	\$ 1,386	\$ 6,103	\$ 48,936
Accounts receivable	44,794	-	-	-	44,794
Due from other governmental units	31,348	28,572	13,341	-	73,261
Due from other funds	-	28,307	7,000	13,776	49,083
Prepaid expenses	16,869	-	-	-	16,869
	<u>121,660</u>	<u>69,677</u>	<u>21,727</u>	<u>19,879</u>	<u>232,943</u>
Total assets	<u>\$ 121,660</u>	<u>\$ 69,677</u>	<u>\$ 21,727</u>	<u>\$ 19,879</u>	<u>\$ 232,943</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 9,758	\$ 20,222	\$ 20,431	\$ -	\$ 50,411
Due to other funds	35,751	7,000	-	-	42,751
	<u>45,509</u>	<u>27,222</u>	<u>20,431</u>	<u>-</u>	<u>93,162</u>
Total liabilities	45,509	27,222	20,431	-	93,162
FUND BALANCE					
Nonspendable	16,869	-	-	-	16,869
Restricted	-	42,455	1,296	19,879	63,630
Unassigned	59,282	-	-	-	59,282
	<u>76,151</u>	<u>42,455</u>	<u>1,296</u>	<u>19,879</u>	<u>139,781</u>
Total fund balance	<u>76,151</u>	<u>42,455</u>	<u>1,296</u>	<u>19,879</u>	<u>139,781</u>
Total liabilities and fund balance	<u>\$ 121,660</u>	<u>\$ 69,677</u>	<u>\$ 21,727</u>	<u>\$ 19,879</u>	<u>\$ 232,943</u>

See Notes to Financial Statements

VILLAGE OF QUINCY
GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF
GOVERNMENTAL FUNDS TO NET POSITION
MARCH 31, 2018

Total Fund Balance - Governmental Funds	\$ 139,781
<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	5,050,977
Accumulated depreciation	<u>(3,013,968)</u>
Total capital assets not reported in funds	2,037,009
<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>(462,259)</u>
Total Net Position - Governmental Activities	<u><u>\$ 1,714,531</u></u>

VILLAGE OF QUINCY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2018

	General Fund	Major Streets	Local Streets	Other Nonmajor Governmental Funds	Totals
REVENUES					
Taxes	\$ 267,169	\$ -	\$ -	\$ 104,373	\$ 371,542
Licenses and permits	2,409	-	-	-	2,409
Federal sources	-	51,221	289,882	-	341,103
State shared revenue	194,634	135,340	48,861	-	378,835
Charges for services	198,564	-	-	-	198,564
Fines and forfeitures	7,623	-	-	-	7,623
Rent	143,891	-	-	-	143,891
Reimbursements	86,833	-	-	-	86,833
Interest income	46	2	2	-	50
Other	53,850	-	-	-	53,850
Total revenues	955,019	186,563	338,745	104,373	1,584,700
EXPENDITURES					
General government	413,637	-	-	-	413,637
Public safety	292,384	-	-	-	292,384
Public works	114,414	116,323	49,021	80,000	359,758
Recreation and cultural	44,136	-	-	-	44,136
Capital outlay	-	76,221	304,882	-	381,103
Debt service					
Principal	-	-	-	115,794	115,794
Interest	1,009	-	-	14,611	15,620
Total expenditures	865,580	192,544	353,903	210,405	1,622,432
Excess (deficiency) of revenues over expenditures	89,439	(5,981)	(15,158)	(106,032)	(37,732)
OTHER SOURCES (USES)					
Transfers from (to) other funds	(78,346)	33,000	(19,031)	90,405	26,028
Excess (deficiency) of revenues and other sources over expenditures and other uses	11,093	27,019	(34,189)	(15,627)	(11,704)
FUND BALANCE - BEGINNING	65,058	15,436	35,485	35,506	151,485
FUND BALANCE - ENDING	\$ 76,151	\$ 42,455	\$ 1,296	\$ 19,879	\$ 139,781

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, 2018

Net change in Fund Balance - Total Governmental Funds	\$ (11,704)
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense	(200,862)
Capital outlay	381,103
Total	180,241
Proceeds and repayments of principal on long-term debt are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities):	
Debt proceeds	-
Principal repayment	115,794
Total	115,794
Change in Net Position of Governmental Activities	\$ 284,331

VILLAGE OF QUINCY
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
MARCH 31, 2018

	<u>Waste Water Fund</u>	<u>Water Fund</u>	<u>Nonmajor Rubbish Fund</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash and investments	\$ 84,253	\$ 57,886	\$ 351	\$ 142,490
Accounts receivable	35,441	42,154	7,044	84,639
Inventories	18,827	44,750	-	63,577
Due from other funds	9,358	-	-	9,358
Prepaid and other assets	5,440	6,387	-	11,827
Total current assets	<u>153,319</u>	<u>151,177</u>	<u>7,395</u>	<u>311,891</u>
Noncurrent assets:				
Capital assets, less accumulated depreciation	5,236,080	3,009,968	-	8,246,048
Restricted assets - Cash	42,000	131,699	-	173,699
Total noncurrent assets	<u>5,278,080</u>	<u>3,141,667</u>	<u>-</u>	<u>8,419,747</u>
Total assets	<u>\$ 5,431,399</u>	<u>\$ 3,292,844</u>	<u>\$ 7,395</u>	<u>\$ 8,731,638</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 24,379	\$ 23,915	\$ -	\$ 48,294
Accrued expenditures	51,608	11,141	-	62,749
Due to other funds	-	9,358	-	9,358
Bonds and notes payable, due within one year	62,000	100,000	-	162,000
Total current liabilities	<u>137,987</u>	<u>144,414</u>	<u>-</u>	<u>282,401</u>
Noncurrent liabilities				
Bonds and notes payable, due in more than one year	3,870,000	1,517,000	-	5,387,000
Total liabilities	<u>4,007,987</u>	<u>1,661,414</u>	<u>-</u>	<u>5,669,401</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	15,988	20,785	-	36,773
Total liabilities and deferred inflows of resources	<u>4,023,975</u>	<u>1,682,199</u>	<u>-</u>	<u>5,706,174</u>
NET POSITION				
Investment in capital assets, net of related debt	1,304,080	1,392,968	-	2,697,048
Restricted	42,000	131,699	-	173,699
Unrestricted	61,344	85,978	7,395	154,717
Total net position	<u>\$ 1,407,424</u>	<u>\$ 1,610,645</u>	<u>\$ 7,395</u>	<u>\$ 3,025,464</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, 2018

	Waste Water Fund	Water Fund	Nonmajor Rubbish Fund	Totals
REVENUES				
Charges for services	\$ 421,773	\$ 469,238	\$ 32,396	\$ 923,407
Federal sources	292,164	367,962	-	660,126
State grants	157,545	-	-	157,545
Total revenues	871,482	837,200	32,396	1,741,078
OPERATING EXPENSES				
Operations	506,711	321,089	25,001	852,801
Depreciation	161,942	113,294	-	275,236
Total operating expenditures	668,653	434,383	25,001	1,128,037
OPERATING INCOME (LOSS)	202,829	402,817	7,395	613,041
NONOPERATING REVENUES (EXPENSES)				
Investment income	32	32	-	64
Interest expense	(103,109)	(31,184)	-	(134,293)
Total nonoperating revenues (expenses)	(103,077)	(31,152)	-	(134,229)
INCOME (LOSS) BEFORE TRANSFERS	99,752	371,665	7,395	478,812
TRANSFERS				
Transfers from (to) other funds	-	(26,028)	-	(26,028)
CHANGE IN NET POSITION	99,752	345,637	7,395	452,784
NET POSITION - BEGINNING	1,307,672	1,265,008	-	2,572,680
NET POSITION - ENDING	<u>\$ 1,407,424</u>	<u>\$ 1,610,645</u>	<u>\$ 7,395</u>	<u>\$ 3,025,464</u>

See Notes to Financial Statements

VILLAGE OF QUINCY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

	<u>Waste Water Fund</u>	<u>Water Fund</u>	<u>Nonmajor Rubbish Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 436,983	\$ 483,220	\$ 25,352	\$ 945,555
Cash received from other governmental entities	449,709	367,962	-	817,671
Payments made to suppliers	(378,147)	(251,011)	(25,001)	(654,159)
Payments made to employees	(75,657)	(88,307)	-	(163,964)
Net cash provided by operating activities	432,888	511,864	351	945,103
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in (out)	-	(26,028)	-	(26,028)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal and interest paid on capital debt	(175,109)	(95,184)	-	(270,293)
Proceeds of issuance of bonds	62,000	980,000	-	1,042,000
Purchase of capital assets	(358,079)	(1,267,791)	-	(1,625,870)
Net cash provided by (used in) capital and related financing activities	(471,188)	(382,975)	-	(854,163)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	32	32	-	64
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(38,268)	102,893	351	64,976
CASH AND CASH EQUIVALENTS - BEGINNING	164,521	86,692	-	251,213
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 126,253</u>	<u>\$ 189,585</u>	<u>\$ 351</u>	<u>\$ 316,189</u>

See Notes to Financial Statements

VILLAGE OF QUINCY

PROPRIETARY FUNDS

**STATEMENT OF CASH FLOWS - Continued
FOR THE YEAR ENDED MARCH 31, 2018**

	<u>Waste Water Fund</u>	<u>Water Fund</u>	<u>Nonmajor Rubbish Fund</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 202,829	\$ 402,817	\$ 7,395	\$ 613,041
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	161,942	113,294	-	275,236
Changes in assets and liabilities:				
Receivables	(778)	(6,803)	(7,044)	(14,625)
Prepays and other assets	311	(208)	-	103
Due to (from) others	30,642	(37,432)	-	(6,790)
Accounts payable	(29,654)	12,725	-	(16,929)
Accrued expenditures	51,608	6,686	-	58,294
Unearned revenue	15,988	20,785	-	36,773
Net cash provided by operating activities	<u>\$ 432,888</u>	<u>\$ 511,864</u>	<u>\$ 351</u>	<u>\$ 945,103</u>

VILLAGE OF QUINCY
COMPONENT UNITS
STATEMENT OF NET POSITION
MARCH 31, 2018

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
ASSETS			
Cash and cash equivalents	\$ 10,593	\$ 3,767	\$ 14,360
Due from DDA	-	3,210	3,210
Total assets	10,593	6,977	17,570
LIABILITIES			
Due to Brownfield Redevelopment Authority	3,210	-	3,210
Due to other funds	6,332	-	6,332
Total liabilities	9,542	-	9,542
NET POSITION			
Restricted	\$ 1,051	\$ 6,977	\$ 8,028

VILLAGE OF QUINCY
COMPONENT UNITS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2018

Net (Expense) Revenue and Changes in Net Position

Functions/Programs	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
Downtown Development Authority	\$ (19,300)	\$ -	\$ (19,300)
Brownfield Redevelopment Authority	-	-	-
Total component activities	(19,300)	-	(19,300)
General revenues:			
Property taxes	18,777	-	18,777
Change in Net Position	(523)	-	(523)
Net Position - Beginning	<u>1,574</u>	<u>6,977</u>	<u>8,551</u>
Net Position - Ending	<u><u>\$ 1,051</u></u>	<u><u>\$ 6,977</u></u>	<u><u>\$ 8,028</u></u>

VILLAGE OF QUINCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

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, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

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

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

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

The Village first utilizes restricted resources to finance qualifying activities.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

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

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

VILLAGE OF QUINCY

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED MARCH 31, 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

BASIS OF PRESENTATION:

MAJOR GOVERNMENTAL FUNDS

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

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

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, 2018

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 2017 taxable valuation of the Village totaled \$22,939,529 and the millage rates were 11.5430 mills for general operations and 4.6151 mills for municipal streets.

Tax Abatements - Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. Property taxes abated by the Village in fiscal year 2018 amounted to \$9,977.

VILLAGE OF QUINCY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED MARCH 31, 2018

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, 2018

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 has only one type of item that qualifies for reporting in this category. The business-type activities report unavailable revenues from one source: charges for services. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

VILLAGE OF QUINCY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Fund Balance – Continued

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. 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, 2018

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.

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, 2018, \$170,872 of the Village's bank balance of \$420,872 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, 2018**

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, 2018, for the Village are as follows:

GOVERNMENTAL FUNDS

GENERAL FUND

Due to Major Streets Fund	\$ (28,307)
Due to Municipal Streets Fund	(7,444)
Total General Fund	<u>(35,751)</u>

MAJOR STREETS FUND

Due from General Fund	28,307
Due to Local Streets Fund	(7,000)
Total Major Streets Fund	<u>21,307</u>

LOCAL STREETS FUND

Due from Major Streets Fund	7,000
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MUNICIPAL STREETS FUND

Due from General Fund	7,444
Due from DDA Fund	6,332
Total Municipal Streets Fund	<u>13,776</u>

Total governmental funds	<u><u>\$ 6,332</u></u>
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VILLAGE OF QUINCY

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED MARCH 31, 2018**

NOTE C – DUE FROM OTHER FUNDS – Continued

PROPRIETARY FUNDS

WASTEWATER FUND

Due from Water Fund \$ 9,358

WATER FUND

Due to Waste Water Fund (9,358)

Total proprietary funds \$ -

COMPONENT UNITS

DOWNTOWN DEVELOPMENT AUTHORITY

Due to Municipal Streets Fund \$ (6,332)

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, 2018**

NOTE D – TRANSFERS FROM (TO) OTHER FUNDS

Transfers from (to) other funds, during the year ended March 31, 2018, for the Village are as follows:

GOVERNMENTAL FUNDS

GENERAL FUND

Transfer to Debt Service Fund \$ (78,346)

MAJOR STREETS FUND

Transfer from Municipal Streets Fund 40,000

Transfer to Local Streets Fund (7,000)

Total Major Streets Fund 33,000

LOCAL STREETS FUND

Transfer to Debt Service Fund (26,031)

Transfer from Major Streets Fund 7,000

Total Local Streets Fund (19,031)

MUNICIPAL STREETS FUND

Transfer to Major Streets Fund (40,000)

DEBT SERVICE FUND

Transfer from General Fund 78,346

Transfer from Local Streets Fund 26,031

Transfer from Water Fund 26,028

Total Debt Service Fund 130,405

Total governmental funds \$ 26,028

PROPRIETARY FUNDS

WATER FUND

Transfer to Debt Service Fund \$ (26,028)

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, 2018**

NOTE E – CAPITAL ASSETS

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

GOVERNMENTAL ACTIVITIES

	<u>Balance April 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance March 31, 2018</u>
GROUP:				
Capital assets, not being depreciated:				
Land	\$ 454,300	\$ -	\$ -	\$ 454,300
Capital assets, being depreciated				
Land improvements	2,718,569	381,103	-	3,099,672
Buildings	624,328	-	-	624,328
Equipment	872,677	-	-	872,677
Total assets being depreciated	<u>4,215,574</u>	<u>381,103</u>	<u>-</u>	<u>4,596,677</u>
Total assets	4,669,874	381,103	-	5,050,977
ACCUMULATED DEPRECIATION:				
Land improvements	1,810,350	115,180	-	1,925,530
Buildings	351,716	17,226	-	368,942
Equipment	651,040	68,456	-	719,496
Total accumulated depreciation	<u>2,813,106</u>	<u>200,862</u>	<u>-</u>	<u>3,013,968</u>
Net capital assets	<u>\$ 1,856,768</u>	<u>\$ 180,241</u>	<u>\$ -</u>	<u>\$ 2,037,009</u>

VILLAGE OF QUINCY

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED MARCH 31, 2018**

NOTE E – CAPITAL ASSETS – Continued

BUSINESS-TYPE ACTIVITIES

	<u>Balance April 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance March 31, 2018</u>
GROUP:				
Capital assets, not being depreciated:				
Land	\$ 21,851	\$ -	\$ -	\$ 21,851
Construction in progress	4,433,321	247,229	4,433,321	247,229
Total capital assets, not being depreciated:	4,455,172	247,229	4,433,321	269,080
Capital assets, being depreciated				
Buildings	136,225	-	-	136,225
Equipment	536,632	36,900	-	573,532
Infrastructure	5,547,297	5,775,062	-	11,322,359
Total assets being depreciated	6,220,154	5,811,962	-	12,032,116
Total assets	10,675,326	6,059,191	-	12,301,196
ACCUMULATED DEPRECIATION:				
Buildings	121,577	1,831	-	123,408
Equipment	371,250	26,933	-	398,183
Infrastructure	3,287,085	246,472	-	3,533,557
Total accumulated depreciation	3,779,912	275,236	-	4,055,148
Net capital assets	<u>\$ 6,895,414</u>	<u>\$ 5,783,955</u>	<u>\$ -</u>	<u>\$ 8,246,048</u>

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

GOVERNMENTAL ACTIVITIES:

General government	\$ 68,456
Public works	100,698
Recreation and cultural	31,708
Total governmental activities	<u>\$ 200,862</u>

BUSINESS -TYPE ACTIVITIES:

Water	\$ 113,294
Waste water	161,942
Total business-type activities	<u>\$ 275,236</u>

VILLAGE OF QUINCY

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED MARCH 31, 2018**

NOTE F – LONG-TERM DEBT

	<u>Balance</u> <u>April 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>March 31, 2018</u>
Governmental Activities:				
2007 Capital improvement bonds	\$ 50,000	\$ -	\$ 25,000	\$ 25,000
2015 Capital improvement bonds	390,000	-	60,000	330,000
2016 Police car note payable	29,523	-	8,880	20,643
2016 Utility van note payable	32,568	-	6,576	25,992
2016 Dump truck note payable	51,375	-	10,373	41,002
2016 Kubota gator note payable	24,587	-	4,965	19,622
Total governmental-type activities	<u>\$ 578,053</u>	<u>\$ -</u>	<u>\$ 115,794</u>	<u>\$ 462,259</u>

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

GOVERNMENTAL ACTIVITIES

Series 2007 Capital Improvement Bonds, interest rate of 4.22%, annual payment of \$25,000, due October 2018	\$ 25,000
Series 2015 Capital Improvement Bonds, interest rate of 2.60%, annual payments of \$60,000-\$70,000, due July 2023	330,000
Note payable to bank at an interest rate of 2.15%, monthly payments of \$740 principal plus interest, due July 2020, secured by vehicle	20,643
Note payable to bank at an interest rate of 3.20%, monthly payments of \$627 including interest, due November 2021, secured by vehicle	25,992
Note payable to bank at an interest rate of 3.20%, monthly payments of \$989 including interest, due November 2021, secured by vehicle	41,002
Note payable to bank at an interest rate of 3.20%, monthly payments of \$473 including interest, due November 2021, secured by equipment	<u>19,622</u>
Total	<u>\$ 462,259</u>

VILLAGE OF QUINCY

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED MARCH 31, 2018**

NOTE F – LONG-TERM DEBT – Continued

Annual requirements to service debt	Governmental Activities		
	Principal	Interest	Total
2019	\$ 116,505	\$ 11,117	\$ 127,622
2020	97,240	8,047	105,287
2021	92,002	5,446	97,448
2022	86,512	2,930	89,442
2023	70,000	910	70,910
Total	<u>\$ 462,259</u>	<u>\$ 28,450</u>	<u>\$ 490,709</u>

BUSINESS TYPE ACTIVITIES

	Balance April 1, 2017	Additions	Reductions	Balance March 31, 2018
Business-type Activities				
2016 Waste Water system bonds	\$ 3,942,000	\$ 62,000	\$ 72,000	\$ 3,932,000
2014 Water supply revenue bonds	701,000	-	64,000	637,000
2017 Water supply revenue bonds	-	530,000	-	530,000
2018 Water supply revenue bonds	-	204,000	-	204,000
2019 Water supply revenue bonds	-	246,000	-	246,000
Total business-type activities	<u>\$ 4,643,000</u>	<u>\$ 1,042,000</u>	<u>\$ 136,000</u>	<u>\$ 5,549,000</u>

VILLAGE OF QUINCY

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED MARCH 31, 2018**

NOTE F – LONG-TERM DEBT – Continued

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

BUSINESS TYPE ACTIVITIES

Series 2016 Waste Water Supply Revenue Bonds, interest rate of 2.625%, annual principal payments ranging from \$62,000 to \$157,000, due October, 2056	\$ 3,932,000
Series 2014 Water Supply Revenue Bonds, interest rate ranging from 1.30% to 3.40%, annual principal payments ranging from \$65,000 to \$79,000, due January 2027	637,000
Series 2017 Water Supply Revenue Bonds, interest rate of 3.75%, annual principal payments ranging from \$25,000 to \$45,000, due January, 2033	530,000
Series 2018 Water Supply Revenue Bonds, interest rate of 4.5%, annual principal payments ranging from \$10,000 to \$18,000, due January, 2033	204,000
Series 2019 Water Supply Revenue Bonds, interest rate of 2.625%, interest only payments	<u>246,000</u>
Total	<u><u>\$ 5,549,000</u></u>

VILLAGE OF QUINCY

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED MARCH 31, 2018**

NOTE F – LONG-TERM DEBT – Continued

Annual requirements to service debt (excluding 2019 Water Supply Revenue bonds - see note below)	Business-type Activities		
	Principal	Interest	Total
2019	\$ 162,000	\$ 148,517	\$ 310,517
2020	169,000	145,299	314,299
2021	172,000	142,809	314,809
2022	177,000	135,998	312,998
2023	180,000	130,791	310,791
2024-2028	914,000	567,162	1,481,162
2029-2033	715,000	438,881	1,153,881
2034-2038	479,000	344,846	823,846
2039-2043	546,000	278,539	824,539
2044-2048	621,000	203,044	824,044
2049-2053	707,000	117,154	824,154
2054-2056	461,000	24,202	485,202
Total	<u>\$ 5,303,000</u>	<u>\$ 2,677,242</u>	<u>\$ 7,980,242</u>

Interest expense for the year ended March 31, 2018 was \$134,293 for Business-type Activities and \$15,620 for the Governmental Activities.

The Village has a Series 2019 Water Supply Revenue Bond that has a draw left of \$3,020,000, all of which is expected to be spent by March 31, 2019. Accordingly, this bond has not been included in the annual requirements to service debt schedule.

NOTE G – RISK MANAGEMENT

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

VILLAGE OF QUINCY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2018

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, 2018, amounted to \$21,678 for the Governmental Activities and \$6,262 for Business-type Activities.

NOTE I – COMMITMENTS

The Village of Quincy has entered into contracts to complete water road improvement projects. The amount committed to finish the projects at March 31, 2018 was approximately \$3,019,000. All of the committed funds will be paid for with proceeds from the Capital Improvement Bond.

VILLAGE OF QUINCY
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 290,692	\$ 267,975	\$ 267,169	\$ (806)
License and permits	2,300	2,600	2,409	(191)
State shared revenue	190,000	198,167	194,634	(3,533)
Charges for services	157,266	189,198	198,564	9,366
Rent	106,500	101,500	143,891	42,391
Reimbursements	-	86,833	86,833	-
Interest earned	250	150	46	(104)
Fines and forfeitures	7,500	11,000	7,623	(3,377)
Other	50,000	114,590	53,850	(60,740)
Total revenues	804,508	972,013	955,019	(16,994)
EXPENDITURES				
General government				
Village council	25,765	27,365	23,369	(3,996)
Village manager	87,984	143,592	136,368	(7,224)
Board of appeals	969	646	323	(323)
Planning commission	1,146	2,469	2,004	(465)
Clerk/Treasurer	121,477	138,875	142,648	3,773
Building and grounds	77,235	120,817	108,925	(11,892)
Total General government	314,576	433,764	413,637	(20,127)
Public safety	267,142	300,172	292,384	(7,788)
Public works	66,702	144,650	114,414	(30,236)
Recreation & cultural	23,988	44,373	44,136	(237)
Debt service				
Principal	-	-	-	-
Interest	750	1,530	1,009	(521)
Total expenditures	673,158	924,489	865,580	(58,909)
Excess of revenues over expenditures	131,350	47,524	89,439	41,915
OTHER SOURCES (USES)				
Transfers from (to) other funds	(150,427)	(78,000)	(78,346)	(346)
Excess of revenues and other sources over expenditures and other uses	(19,077)	(30,476)	11,093	41,569
FUND BALANCE - BEGINNING	127,869	65,058	65,058	-
FUND BALANCE - ENDING	<u>\$ 108,792</u>	<u>\$ 34,582</u>	<u>\$ 76,151</u>	<u>\$ 41,569</u>

VILLAGE OF QUINCY
REQUIRED SUPPLEMENTAL INFORMATION
MAJOR STREETS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest income	\$ 50	\$ 50	\$ 2	\$ (48)
Federal sources	-	-	51,221	51,221
State shared revenue	107,150	110,420	135,340	24,920
Total revenue	107,200	110,470	186,563	76,093
EXPENDITURES				
Public works				
Maintenance	72,797	121,497	59,491	(62,006)
Preservation	27,646	32,594	56,832	24,238
Capital outlay	-	-	76,221	76,221
Total expenditures	100,443	154,091	192,544	38,453
Excess (deficiency) of revenues over expenditures	6,757	(43,621)	(5,981)	37,640
OTHER SOURCES (USES)				
Transfer from (to) other funds	(8,075)	40,000	33,000	(7,000)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,318)	(3,621)	27,019	30,640
FUND BALANCE - BEGINNING	15,436	15,436	15,436	-
FUND BALANCE - ENDING	<u>\$ 14,118</u>	<u>\$ 11,815</u>	<u>\$ 42,455</u>	<u>\$ 30,640</u>

VILLAGE OF QUINCY
REQUIRED SUPPLEMENTAL INFORMATION
LOCAL STREETS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest income	\$ 75	\$ 75	\$ 2	\$ (73)
Federal sources	-	-	289,882	289,882
State shared revenue	37,200	37,920	48,861	10,941
	<u>37,275</u>	<u>37,995</u>	<u>338,745</u>	<u>300,750</u>
EXPENDITURES				
Public works				
Maintenance	32,062	34,162	43,258	9,096
Preservation	17,505	17,027	5,763	(11,264)
Capital outlay	-	-	304,882	304,882
	<u>49,567</u>	<u>51,189</u>	<u>353,903</u>	<u>302,714</u>
Excess (deficiency) of revenues over expenditures	(12,292)	(13,194)	(15,158)	(1,964)
OTHER SOURCES				
Transfer from other funds	<u>15,000</u>	<u>(12,063)</u>	<u>(19,031)</u>	<u>(6,968)</u>
Excess of revenues and other sources over expenditures	2,708	(25,257)	(34,189)	(8,932)
FUND BALANCE - BEGINNING	<u>35,485</u>	<u>35,485</u>	<u>35,485</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 38,193</u></u>	<u><u>\$ 10,228</u></u>	<u><u>\$ 1,296</u></u>	<u><u>\$ (8,932)</u></u>

VILLAGE OF QUINCY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED MARCH 31, 2018

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 are presented as Required Supplemental Information. The budget is adopted on the functional level.

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

	<u>Final Budget</u>	<u>Actual</u>
General Fund		
General government		
Clerk/Treasurer	\$ 138,875	\$ 142,648
Transfers to other funds	\$ 78,000	\$ 78,346
Major Streets Fund		
Public works		
Preservation	\$ 32,594	\$ 56,832
Capital outlay	\$ -	\$ 76,221
Local Streets Fund		
Public works		
Maintenance	\$ 34,162	\$ 43,258
Capital outlay	\$ -	\$ 304,882
Transfers to other funds	\$ 12,063	\$ 19,031

VILLAGE OF QUINCY

**OTHER SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2018**

	<u>Nonmajor Special Revenue Funds</u>		
	<u>Municipal Streets</u>	<u>Debt Service</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 6,103	\$ -	\$ 6,103
Due from other funds	13,776	-	13,776
	<u>\$ 19,879</u>	<u>\$ -</u>	<u>\$ 19,879</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
	\$ -	\$ -	\$ -
FUND BALANCE			
Restricted	19,879	-	19,879
	<u>\$ 19,879</u>	<u>\$ -</u>	<u>\$ 19,879</u>
Total liabilities and fund balance	<u>\$ 19,879</u>	<u>\$ -</u>	<u>\$ 19,879</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, 2018**

	Nonmajor Special Revenue Funds		
	Municipal Streets	Debt Service	Totals
REVENUES			
Taxes	\$ 104,373	\$ -	\$ 104,373
EXPENDITURES			
Public works			
Preservation	80,000	-	80,000
Debt service			
Principal	-	115,794	115,794
Interest	-	14,611	14,611
Total expenditures	80,000	130,405	210,405
Excess (deficiency) of revenues over expenditures	24,373	(130,405)	(106,032)
OTHER SOURCES (USES)			
Transfers from (to) other funds	(40,000)	130,405	90,405
Excess (deficiency) of revenues and other sources over expenditures and other uses	(15,627)	-	(15,627)
FUND BALANCE - BEGINNING	35,506	-	35,506
FUND BALANCE - ENDING	\$ 19,879	\$ -	\$ 19,879

VILLAGE OF QUINCY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
MARCH 31, 2018**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Program or or Award Amount</u>	<u>Accrued or (Deferred) Revenue at April 1, 2017</u>	<u>Current Year Receipts</u>	<u>Current Year Expenditures</u>	<u>Accrued or (Deferred) Revenue at March 31, 2018</u>	<u>Prior Years Expenditures</u>
DEPARTMENT OF AGRICULTURE								
Passed Through State of Michigan Department of Agriculture								
* Water and Waste Disposal Systems for Rural Communities	10.760	C26023L147086	\$ 1,450,000	\$ -	\$ 62,000	\$ 62,000	\$ -	1,388,000
* Water and Waste Disposal Systems for Rural Communities	10.760	-	3,266,000	<u>-</u>	<u>246,000</u>	<u>247,229</u>	<u>1,229</u>	-
Total Department of Agriculture				-	308,000	309,229	1,229	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
Passed Through State of Michigan Housing Development Authority Planning and Development								
* Community Development Block Grant/ State's Program	14.228	MSC 216012-ICE	\$ 1,000,000	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	-
Total Federal Financial Assistance				<u>\$ -</u>	<u>\$ 1,308,000</u>	<u>\$ 1,309,229</u>	<u>\$ 1,229</u>	

* Designates major program

VILLAGE OF QUINCY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
FOR THE YEAR ENDED MARCH 31, 2018**

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

Total Federal Assistance received	\$ 1,308,000
Accrued revenue at April 1, 2017	-
Accrued revenue at March 31, 2018	<u>1,229</u>
Total Federal Assistance expenditures	<u>\$ 1,309,229</u>
Major Streets	\$ 51,221
Local Streets	289,882
WasteWater Fund	292,164
Water Fund	367,962
Proprietary Funds shown as loan proceeds	<u>308,000</u>
Total Federal Sources per Financial Statements	<u>\$ 1,309,229</u>

ADDITIONAL COMMENTS

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

VILLAGE OF QUINCY

NOTES TO INTERNAL CONTROL AND FEDERAL GRANT REPORT FOR THE YEAR ENDED MARCH 31, 2018

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE B – FEDERAL LOANS

The federal grant money in amount of \$246,000 is a loan shown in Village of Quincy's proprietary financials statements. The loan is to be repaid at an interest rate of 2.625%. The complete loan schedule and payments have not been provided by the Federal Loan administrators due to Village drawing additional amount of \$3,020,000 and the construction being completed.



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

**Village Council
Village of Quincy, Michigan**

August 27, 2018

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Quincy, Michigan as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Village of Quincy, Michigan's basic financial statements, and have issued our report thereon dated August 27, 2018.

Internal Control Over Financial Reporting: In planning and performing our audit of the financial statements, we considered the Village of Quincy, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Quincy, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Quincy, Michigan's internal control.

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

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

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

Purpose of this Report: The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Taylor, Plant & Watkins, P.C.

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



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

**Village Council
Village of Quincy, Michigan**

August 27, 2018

Report on Compliance for Each Major Federal Program: We have audited the Village of Quincy, Michigan's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Village of Quincy, Michigan's major federal programs for the year ended March 31, 2018. Village of Quincy, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Auditor's Responsibility: Our responsibility is to express an opinion on compliance for each of the Village of Quincy, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Quincy, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide legal determination of the Village of Quincy, Michigan's compliance.

Opinion on Each Major Federal Program: In our opinion, the Village of Quincy, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2018.

Report on Internal Control over Compliance: Management of the Village of Quincy, Michigan, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village of Quincy, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village of Quincy, Michigan's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Village Council
Village of Quincy, Michigan**

August 27, 2018

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

Taylor, Plant & Watkins, P.C.

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

VILLAGE OF QUINCY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2018
SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

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

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

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

Identification of major programs

CFDA Number(s)	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems For Rural Communities
14.228	Community Development Block Grant/State's Program

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

Auditee qualified as low-risk auditee? Yes X No

VILLAGE OF QUINCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2018

FINDINGS – FINANCIAL STATEMENT AUDIT

FINDING 2018-001 Preparation of Financial Statements

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

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

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

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

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

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

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

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

VILLAGE OF QUINCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2018

FINDINGS – FINANCIAL STATEMENT AUDIT

FINDING 2018-002 Adequate segregation of duties

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

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

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

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

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

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

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

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None