

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Quincy	County Branch County
Fiscal Year End March 31, 2007	Opinion Date September 28, 2007	Date Audit Report Submitted to State September 28, 2007	

We affirm that:

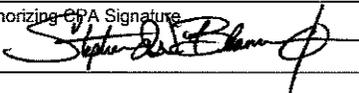
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- |   |     |    |   |
|---|-----|----|---|
| <table border="0"> <tr> <td style="text-align: center;">YES</td> <td style="text-align: center;">NO</td> </tr> </table> | YES | NO | <p><b>Check each applicable box below.</b> (See instructions for further detail.)</p> <ol style="list-style-type: none"> <li>1. <input checked="" type="checkbox"/> <input type="checkbox"/> All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.</li> <li>2. <input checked="" type="checkbox"/> <input type="checkbox"/> There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.</li> <li>3. <input checked="" type="checkbox"/> <input type="checkbox"/> The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.</li> <li>4. <input checked="" type="checkbox"/> <input type="checkbox"/> The local unit has adopted a budget for all required funds.</li> <li>5. <input checked="" type="checkbox"/> <input type="checkbox"/> A public hearing on the budget was held in accordance with State statute.</li> <li>6. <input checked="" type="checkbox"/> <input type="checkbox"/> The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.</li> <li>7. <input checked="" type="checkbox"/> <input type="checkbox"/> The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.</li> <li>8. <input checked="" type="checkbox"/> <input type="checkbox"/> The local unit only holds deposits/investments that comply with statutory requirements.</li> <li>9. <input checked="" type="checkbox"/> <input type="checkbox"/> The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i>, as revised (see Appendix H of Bulletin).</li> <li>10. <input checked="" type="checkbox"/> <input type="checkbox"/> There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.</li> <li>11. <input type="checkbox"/> <input checked="" type="checkbox"/> The local unit is free of repeated comments from previous years.</li> <li>12. <input checked="" type="checkbox"/> <input type="checkbox"/> The audit opinion is UNQUALIFIED.</li> <li>13. <input checked="" type="checkbox"/> <input type="checkbox"/> The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).</li> <li>14. <input checked="" type="checkbox"/> <input type="checkbox"/> The board or council approves all invoices prior to payment as required by charter or statute.</li> <li>15. <input type="checkbox"/> <input checked="" type="checkbox"/> To our knowledge, bank reconciliations that were reviewed were performed timely.</li> </ol> |
| YES   | NO  |    |   |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517-787-6503	
Street Address 675 ROBINSON RD		City JACKSON	State MI
		Zip 49203	
Authorizing CPA Signature 		Printed Name Stephen W. Blann, CPA, CGFM	
		License Number 24801	

# **Village of Quincy**

**Branch County, Michigan**

## **FINANCIAL STATEMENTS**

**For the Year Ended  
March 31, 2007**



**REHMANN ROBSON**

*Certified Public Accountants*

**VILLAGE OF QUINCY, MICHIGAN**  
**For the Fiscal Year Ended March 31, 2007**

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP

**INDEPENDENT AUDITORS' REPORT**

September 28, 2007

Members of the Village Council  
Village of Quincy  
Coldwater, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the *Village of Quincy, Michigan*, as of and for the year ended March 31, 2007, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Village's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, and each major fund of the Village of Quincy, Michigan, as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the general fund and each major special revenue fund, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collective comprise the Village's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Village of Quincy. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Lehmann Johnson".

## MANAGEMENT'S DISCUSSION and ANALYSIS

## Management's Discussion and Analysis

As management of the *Village of Quincy, Michigan*, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended March 31, 2007.

### Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$4,119,600 (net assets). Of this amount, \$491,180 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total net assets decreased by \$163,386. The majority of the decrease is the result of depreciation, and the disposal of a vehicle and pieces of equipment.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$281,677, an increase of \$50,617 in comparison with the prior year. Approximately 98% of the fund balance, or \$276,285, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$98,470 or 15% percent of total general fund expenditures. General fund expenditures were higher than normal this fiscal year because of planned capital improvements.
- The Village's total installment debt increased by \$132,570 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, public works, and highways and streets. The business-type activities of the Village include water and sewer operations.

The government-wide financial statements include not only the Village itself (known as the primary government), but also three component units. The Downtown Development Authority, Brownfield Redevelopment Authority, and Local Development Finance Authority are legally separate components. Supplemental information on these three units can be found on pages 47-52 of this report.

The government-wide financial statements can be found on pages 13-15 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

The Village maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major streets, local streets, and municipal streets, each of which are considered to be major funds. The Village of Quincy does not have any non major funds.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-25 of this report.

**Proprietary funds.** The Village maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its sanitary sewer and water distribution operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, both of which are considered to be major funds of the Village.

The basic proprietary fund financial statements can be found on pages 26-29 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-46 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Quincy, assets exceeded liabilities by \$4,119,600 at the close of the most recent fiscal year.

#### VILLAGE OF QUINCY's Net Assets March 31, 2007

	Governmental activities		Business-type activities		Total	
	2006	2007	2006	2007	2006	2007
Current and other assets	\$ 329,471	\$ 318,410	\$ 335,397	\$ 323,675	\$ 664,868	\$ 642,085
Capital assets, net	1,872,636	1,820,161	3,693,057	3,674,905	5,565,693	5,495,066
Total assets	2,202,107	2,138,571	4,028,454	3,998,580	6,230,561	6,137,151
Long-term liabilities outstanding	726,259	887,905	1,077,775	1,042,472	1,804,034	1,930,377
Other liabilities	113,181	55,432	30,360	32,443	143,541	87,875
Total liabilities	839,440	943,337	1,108,135	1,074,915	1,947,575	2,018,252
Net assets:						
Invested in capital assets, net of related debt	1,163,715	993,515	2,618,057	2,634,905	3,781,772	3,628,420
Unrestricted	198,952	201,719	302,262	288,760	501,214	490,479
Total net assets	\$ 1,362,667	\$ 1,195,234	\$ 2,920,319	\$ 2,923,665	\$ 4,282,986	\$ 4,118,899

By far the largest portion of the Village's net assets (88 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of *unrestricted net assets* (12 percent or \$491,180) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets decreased by \$163,386 during the current fiscal year. This amount is comprised of a decrease to governmental activities of \$166,782, and an increase to business-type activities of \$3,396. The decrease in government activities is the result of disposal of a few pieces of equipment/vehicles and depreciation. The increase in business activities is the result of increased capital improvements.

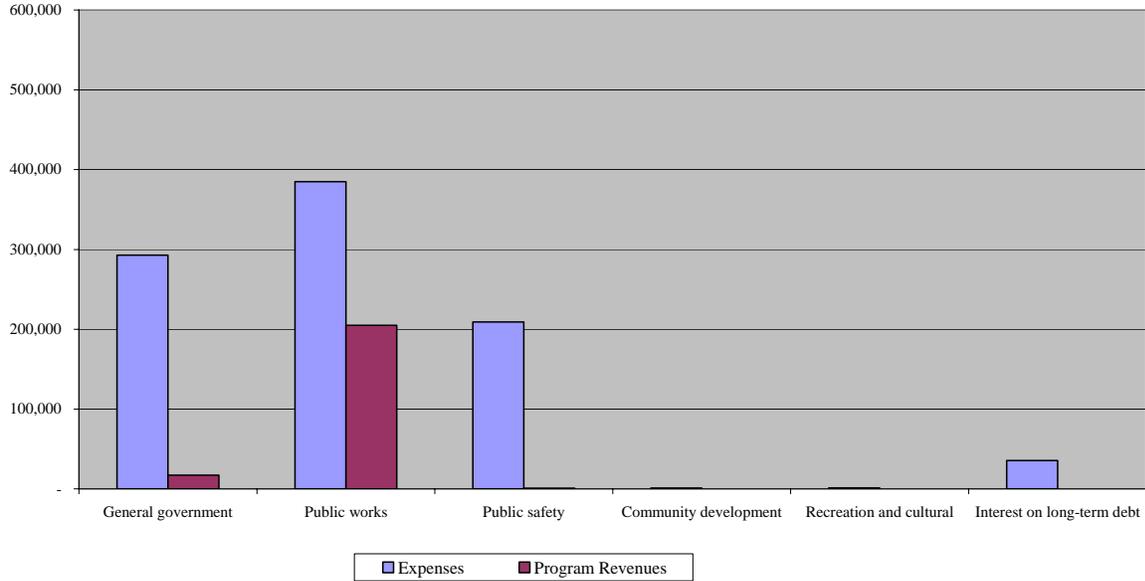
**VILLAGE OF QUINCY's Changes in Net Assets  
For the Year Ended March 31, 2007**

	Governmental activities		Business-type activities		Total	
	2006	2007	2006	2007	2006	2007
Revenue:						
Program revenue:						
Charges for services	\$ 60,006	\$ 73,476	\$ 570,040	\$ 564,481	\$ 630,046	\$ 637,957
Operating grants and contributions	201,122	120,462	10,232	11,234	211,354	131,696
Capital grants and contributions	-	28,997	-	-	-	28,997
General revenue:						
Property taxes	333,001	343,369	-	-	333,001	343,369
State shared revenues	218,574	215,625	-	-	218,574	215,625
Grants and contributions not restricted to specific programs	119,236	114,029	-	-	119,236	114,029
Other	374	(139)	-	-	374	(139)
Total revenue	932,313	895,819	580,272	575,715	1,512,585	1,471,534
Expenses:						
General government	219,273	292,835	-	-	219,273	292,835
Public works	656,469	386,464	-	-	656,469	386,464
Public safety	204,903	208,948	-	-	204,903	208,948
Community development	78,699	-	-	-	78,699	-
Recreation and cultural	12,120	1,256	-	-	12,120	1,256
Interest on long-term debt	30,498	35,552	-	-	30,498	35,552
Water	-	-	379,961	390,611	379,961	390,611
Sewer	-	-	371,186	319,955	371,186	319,955
Total expenses	1,201,962	925,055	751,147	710,566	1,953,109	1,635,621
Change in net assets before transfers	(269,649)	(29,236)	(170,875)	(134,851)	(440,524)	(164,087)
Transfers	-	(138,197)	-	138,197	-	-
Change in net assets	(269,649)	(167,433)	(170,875)	3,346	(440,524)	(164,087)
Net assets, beginning of year, as restated	1,632,316	1,362,667	3,091,194	2,920,319	4,723,510	4,282,986
Net assets, end of year	\$ 1,362,667	\$ 1,195,234	\$ 2,920,319	\$ 2,923,665	\$ 4,282,986	\$ 4,118,899

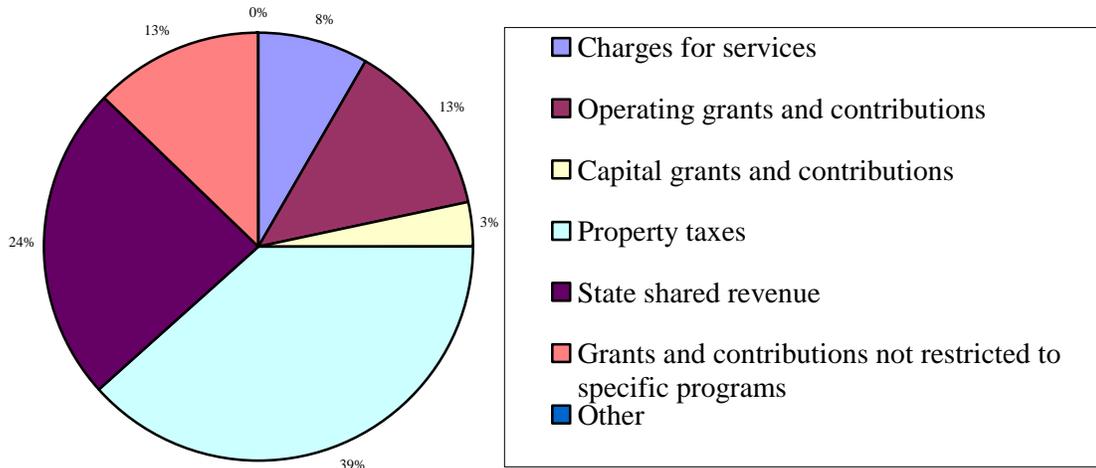
**Governmental activities.** Governmental activities decreased the Village's net assets by \$166,782. Key elements of this decrease are as follows:

- Disposal of a few vehicles and pieces of equipment.
- Depreciation expenses

## Expenses and Program Revenues - Governmental Activities



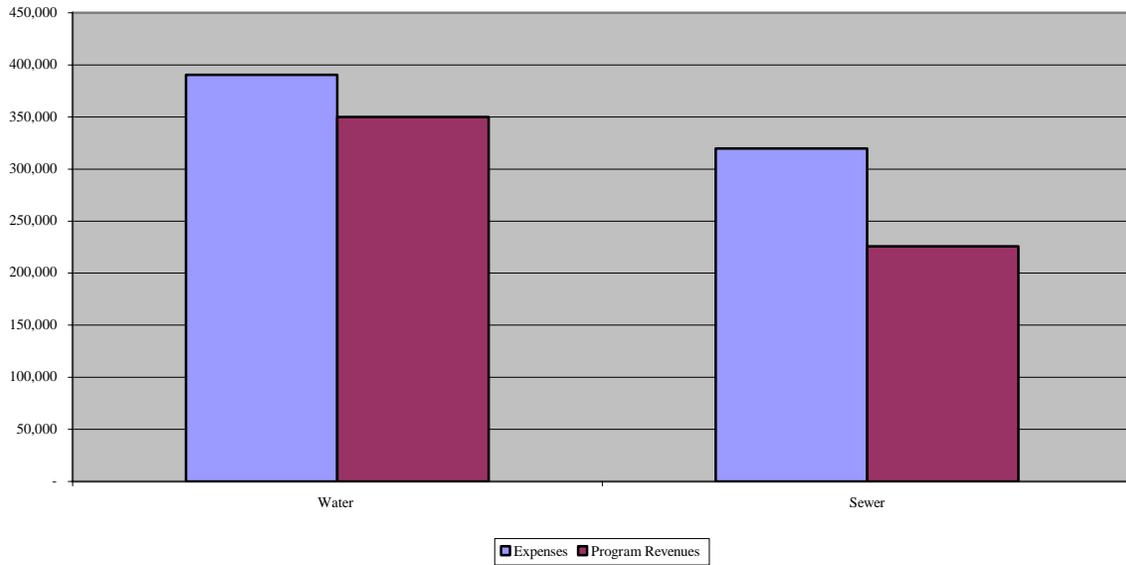
## Revenues by Source - Governmental Activities



**Business-type activities.** Business-type activities increased the Village’s net assets by \$3,396 because of investments in capital improvements that exceeded accumulated depreciation and a surplus in the water fund.

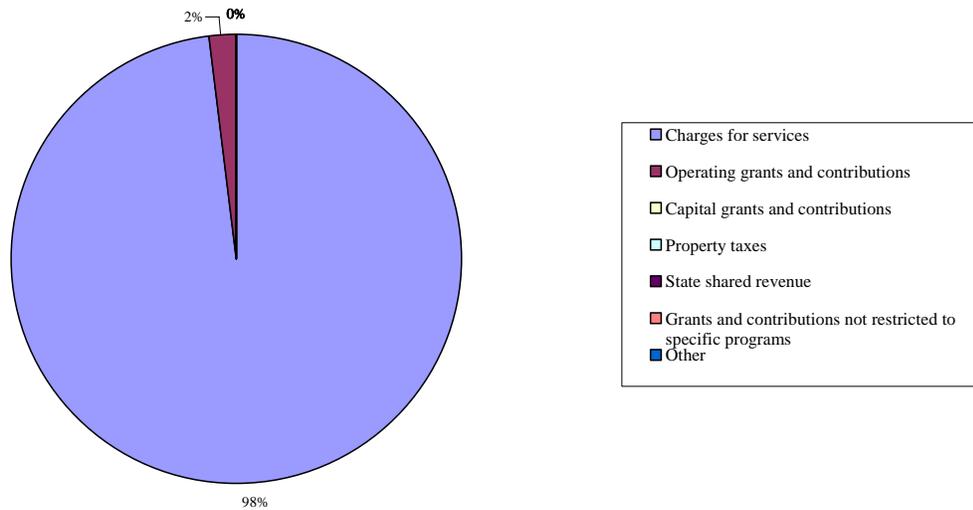
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## Expenses and Program Revenues - Business-type Activities




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## Revenues by Source - Business-type Activities




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## Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*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 net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$281,677, an increase of \$50,617 in comparison with the prior year. Approximately 98 percent of this total amount (\$276,285) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for prepaids (\$5,392).

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$98,470, while total fund balance was \$103,682. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 15 percent of total general fund expenditures.

The fund balance of the Village's general fund decreased by \$29,825 during the current fiscal year. This decrease is due to capital investments in the industrial park to serve a new company and the allocation of additional funds to the Quincy Fire Association for a capital project. The general fund will be reimbursed for the industrial park expenses, over the next several years, through the newly created Local development Finance Authority.

The major street fund has a total fund balance of \$89,021, an increase of \$26,728 during the year. The increase is the result of expected employee costs being dramatically lower than planned.

The local street fund had a decrease in fund balance for the current year of \$6,479 for an ending total of \$12,612. This decrease was the result of capital projects in the major and general funds restricting the amount of municipal street funds. These funds are typically used to support the local street fund. The Village chose to utilize fund balance in place of the transfers.

The municipal streets fund has a total fund balance of \$26,336, an increase of \$10,347 during the year. The increase in the fund balance was the result of a plan save a portion of the municipal street taxes for future projects.

***Proprietary funds.*** The Village's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer enterprise funds at the end of the year amounted to \$398,626 and (\$109,816), respectively. The water fund had a decrease in of \$21,547 and the sewer fund had an increase of \$24,943 in net assets for the year. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Village's business-type activities.

## Capital Asset and Debt Administration

**Capital assets.** The Village's investment in capital assets for its governmental and business-type activities as of March 31, 2007, amounted to \$5,495,066 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads and highways. The total decrease in the Village's capital assets for the current fiscal year was 1.3 percent (2.8 percent decrease for governmental activities and 0.5 percent decrease for business-type activities).

### Village of Quincy's Capital Assets (net of depreciation)

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Land and Land Improvements	\$ 1,237,633	\$ 21,851	\$ 1,259,484
Buildings and systems	448,215	47,404	495,619
Vehicles and equipment	134,313	324,813	459,126
Infrastructure	<u>-</u>	<u>3,280,837</u>	<u>3,280,837</u>
<b>Total</b>	<b><u>\$ 1,820,161</u></b>	<b><u>\$3,674,905</u></b>	<b><u>\$ 5,495,066</u></b>

Additional information on the Village's capital assets can be found in note III.C. on pages 41-42 of this report.

**Long-term debt.** At the end of the current fiscal year, the Village had total installment debt outstanding of \$1,916,492. Of this amount, \$830,000 comprises debt backed by the full faith and credit of the government. The remainder of the Village's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), and installment purchase contracts.

### Village of Quincy's Outstanding Debt

	<u>Governmental Activities</u>	<u>Business-type activities</u>	<u>Total</u>
General obligation bonds	\$ 830,000	\$ -	\$ 830,000
Revenue bonds	-	1,040,000	1,040,000
Installment purchase contracts	<u>46,492</u>	<u>-</u>	<u>46,492</u>
<b>Total</b>	<b><u>\$ 876,492</u></b>	<b><u>\$ 1,040,000</u></b>	<b><u>\$ 1,916,492</u></b>

The Village's installment debt increased by \$132,570 (1.9 percent) during the current fiscal year. The increase would have been much greater, but additional equipment, totaling \$66,095, was acquired through installment purchase contracts.

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 \$2,230,734, which is significantly in excess of the Village's outstanding general obligation debt.

Additional information on the Village's long-term debt can be found in note III.F on pages 44-46 of this report.

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

The following factors were considered in preparing the Village's budget for the 2007-08 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 improvements projects by the Village;
- Available taxing, bonding and grant resources.

### **Requests for Information**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Eric Zuzga  
Village Manager  
Village of Quincy  
47 Cole Street  
Quincy, MI, 49082  
eric.zuzga@quincy-mi.org

# BASIC FINANCIAL STATEMENTS

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

**VILLAGE OF QUINCY**  
**Statement of Net Assets**  
**March 31, 2007**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 228,886	\$ 263,033	\$ 491,919	\$ 52,304
Receivables, net	63,348	44,535	107,883	6,419
Internal balances	20,784	(20,784)	-	-
Prepays and other assets	5,392	36,891	42,283	-
Capital assets not being depreciated	454,300	21,851	476,151	-
Capital assets being depreciated, net	1,365,861	3,653,054	5,018,915	-
<b>Total assets</b>	<b>2,138,571</b>	<b>3,998,580</b>	<b>6,137,151</b>	<b>58,723</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	55,432	32,443	87,875	29,130
Long-term liabilities:				
Due within one year	74,267	35,248	109,515	-
Due in more than one year	813,638	1,007,224	1,820,862	-
<b>Total liabilities</b>	<b>943,337</b>	<b>1,074,915</b>	<b>2,018,252</b>	<b>29,130</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	993,515	2,634,905	3,628,420	-
Unrestricted	201,719	288,760	490,479	29,593
<b>Total net assets</b>	<b>\$ 1,195,234</b>	<b>\$ 2,923,665</b>	<b>\$ 4,118,899</b>	<b>\$ 29,593</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Statement of Activities**  
**For the Year Ended March 31, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 292,835	\$ 17,187	\$ -	\$ -	\$ (275,648)
Public works	386,464	55,480	120,462	28,997	(181,525)
Public safety	208,948	809	-	-	(208,139)
Community development	-	-	-	-	-
Recreation and cultural	1,256	-	-	-	(1,256)
Interest on long-term debt	35,552	-	-	-	(35,552)
Total governmental activities	<u>925,055</u>	<u>73,476</u>	<u>120,462</u>	<u>28,997</u>	<u>(702,120)</u>
Business-type activities:					
Water	390,611	338,751	11,161	-	(40,699)
Sewer	319,955	225,730	73	-	(94,152)
Total business-type activities	<u>710,566</u>	<u>564,481</u>	<u>11,234</u>	<u>-</u>	<u>(134,851)</u>
Total primary government	<u>\$ 1,635,621</u>	<u>\$ 637,957</u>	<u>\$ 131,696</u>	<u>\$ 28,997</u>	<u>(836,971)</u>
<b>Component units</b>					
Downtown Development Authority	\$ 54,083	\$ -	\$ 148	\$ -	\$ (53,935)
Brownfield Redevelopment Authority	28,045	-	50	-	(27,995)
Local Development Financing Authority	6,427	-	-	-	(6,427)
Total component units	<u>\$ 88,555</u>	<u>\$ -</u>	<u>\$ 198</u>	<u>\$ -</u>	<u>\$ (88,357)</u>

continued...

**VILLAGE OF QUINCY**  
**Statement of Activities (Concluded)**  
**For the Year Ended March 31, 2007**

<b>Functions/Programs</b>	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Changes in net assets</b>				
Net expense	\$ (702,120)	\$ (134,851)	\$ (836,971)	\$ (88,357)
General revenues:				
Property taxes	343,369	-	343,369	68,914
State shared revenue	215,625	-	215,625	-
Grants and contributions not restricted to particular programs	114,029	-	114,029	-
Unrestricted investment earnings	(139)	-	(139)	-
Transfers	(138,197)	138,197	-	-
Total general revenues	<u>534,687</u>	<u>138,197</u>	<u>672,884</u>	<u>68,914</u>
Change in net assets	(167,433)	3,346	(164,087)	(19,443)
Net assets, beginning of year	<u>1,362,667</u>	<u>2,920,319</u>	<u>4,282,986</u>	<u>49,036</u>
<b>Net assets, end of year</b>	<u><u>\$ 1,195,234</u></u>	<u><u>\$ 2,923,665</u></u>	<u><u>\$ 4,118,899</u></u>	<u><u>\$ 29,593</u></u>

The accompanying notes are an integral part of these financial statements.

# FUND FINANCIAL STATEMENTS

**VILLAGE OF QUINCY**  
**Balance Sheet**  
**Governmental Funds**  
**March 31, 2007**

	<b>General</b>	<b>Major Streets</b>	<b>Local Streets</b>	<b>Municipal Streets</b>	<b>Capital Projects</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 89,393	\$ 57,569	\$ 19,902	\$ 12,176	\$ 49,846	\$ 228,886
Due from other governments	43,808	14,825	4,715	-	-	63,348
Due from other funds	21,648	16,627	-	14,160	-	52,435
Prepaid items	5,392	-	-	-	-	5,392
<b>Total assets</b>	<b>\$ 160,241</b>	<b>\$ 89,021</b>	<b>\$ 24,617</b>	<b>\$ 26,336</b>	<b>\$ 49,846</b>	<b>\$ 350,061</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 26,243	\$ -	\$ 11,141	\$ -	\$ -	\$ 37,384
Due to other funds	30,787	-	864	-	-	31,651
<b>Total liabilities</b>	<b>57,030</b>	<b>-</b>	<b>12,005</b>	<b>-</b>	<b>-</b>	<b>69,035</b>
<b>Fund balances</b>						
Reserved for prepaids	5,392	-	-	-	-	5,392
Unreserved - undesignated	97,819	89,021	12,612	26,336	49,846	275,634
<b>Total fund balances</b>	<b>103,211</b>	<b>89,021</b>	<b>12,612</b>	<b>26,336</b>	<b>49,846</b>	<b>281,026</b>
<b>Total liabilities and fund balances</b>	<b>\$ 160,241</b>	<b>\$ 89,021</b>	<b>\$ 24,617</b>	<b>\$ 26,336</b>	<b>\$ 49,846</b>	<b>\$ 350,061</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**March 31, 2007**

Fund balances - total governmental funds	\$ 281,026
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	3,207,749
Deduct: accumulated depreciation	(1,387,588)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds and land contract payable	(876,492)
Deduct: accrued interest on bonds payable	(18,048)
Deduct: compensated absences	(11,413)

Net assets of governmental activities	<u>\$ 1,195,234</u>
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The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended March 31, 2007**

	General	Major Streets	Local Streets	Municipal Streets	Capital Projects	Total
<b>Revenue</b>						
Taxes	\$ 232,978	\$ -	\$ -	\$ 110,391	\$ -	\$ 343,369
Licenses and permits	1,908	-	-	-	-	1,908
Intergovernmental	215,625	91,103	28,852	-	-	335,580
Charges for services	15,279	-	-	-	-	15,279
Fines and forfeitures	809	-	-	-	-	809
Interest and rents	73,918	363	140	4	454	74,879
Other revenue	96,660	-	-	-	-	96,660
<b>Total revenue</b>	<b>637,177</b>	<b>91,466</b>	<b>28,992</b>	<b>110,395</b>	<b>454</b>	<b>868,484</b>
<b>Expenditures</b>						
General government	293,445	-	-	-	-	293,445
Public safety	207,385	-	-	-	-	207,385
Public works	75,863	64,738	55,471	80,048	-	276,120
Community and economic development	-	-	-	-	-	-
Recreation and cultural	1,256	-	-	-	-	1,256
Debt service:						
Principal	57,430	-	-	-	-	57,430
Interest	32,274	-	-	-	-	32,274
Capital outlay	-	-	-	-	175,608	175,608
<b>Total expenditures</b>	<b>667,653</b>	<b>64,738</b>	<b>55,471</b>	<b>80,048</b>	<b>175,608</b>	<b>1,043,518</b>
Revenue over (under) expenditures	(30,476)	26,728	(26,479)	30,347	(175,154)	(175,034)
<b>Other financing sources</b>						
Transfers in	-	10,000	20,000	-	-	30,000
Transfers out	-	(10,000)	-	(20,000)	-	(30,000)
Issuance of long-term debt	-	-	-	-	225,000	225,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>20,000</b>	<b>(20,000)</b>	<b>225,000</b>	<b>225,000</b>
Net change in fund balances	(30,476)	26,728	(6,479)	10,347	49,846	49,966
Fund balances, beginning of year	133,687	62,293	19,091	15,989	-	231,060
<b>Fund balances, end of year</b>	<b>\$ 103,211</b>	<b>\$ 89,021</b>	<b>\$ 12,612</b>	<b>\$ 26,336</b>	<b>\$ 49,846</b>	<b>\$ 281,026</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended March 31, 2007**

Net change in fund balances - total governmental funds	\$ 49,966
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	55,316
Add: capital contributions	28,997
Deduct: depreciation expense	(134,693)
Deduct: loss on disposal of capital assets	(2,095)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	57,430
Deduct: issuance of long-term debt	(225,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct: increase in accrued interest payable on bonds	(3,278)
Add: decrease in the accrual for compensated absences	5,924

Change in net assets of governmental activities	<u>\$ (167,433)</u>
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The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended March 31, 2007**

<b>Revenue</b>	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
Taxes:				
Property taxes - general	\$ 311,518	\$ 343,369	\$ 232,978	\$ (110,391)
Licenses and permits	-	-	1,908	1,908
Intergovernmental:				
State revenue sharing	215,000	215,625	215,625	-
Other	300,000	-	-	-
Total intergovernmental	515,000	215,625	215,625	-
Charges for services	-	15,279	15,279	-
Fines and forfeitures	-	809	809	-
Interest and rentals:				
Interest earned	1,000	1,069	1,069	-
Rental income	16,000	17,369	17,369	-
Equipment rentals	-	55,480	55,480	-
Total interest and rentals	17,000	73,918	73,918	-
Other revenue	86,450	96,660	96,660	-
 Total revenue	 929,968	 745,660	 637,177	 (108,483)

continued...

**VILLAGE OF QUINCY**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual (Continued)**  
**General Fund**  
**For the Year Ended March 31, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Expenditures</b>				
General government:				
Legislative	\$ 12,393	\$ 11,068	\$ 11,068	\$ -
Village Attorney	16,000	16,262	16,262	-
Village Manager	79,520	78,263	78,263	-
Clerk/Treasurer	89,511	88,994	88,994	-
Village Hall	38,000	61,340	61,340	-
Non-departmental	38,250	37,521	37,518	(3)
Total general government	<u>273,674</u>	<u>293,448</u>	<u>293,445</u>	<u>(3)</u>
Public safety	<u>202,368</u>	<u>207,385</u>	<u>207,385</u>	<u>-</u>
Public works:				
Streets	<u>164,408</u>	<u>155,863</u>	<u>75,863</u>	<u>(80,000)</u>
Community and economic development:				
Brownfield Grant	<u>300,000</u>	<u>51,689</u>	<u>-</u>	<u>(51,689)</u>
Recreation and cultural:				
Museum	<u>7,500</u>	<u>1,256</u>	<u>1,256</u>	<u>-</u>
Debt service:				
Principal	-	57,430	57,430	-
Interest	<u>93,000</u>	<u>32,274</u>	<u>32,274</u>	<u>-</u>
Total debt service	<u>93,000</u>	<u>89,704</u>	<u>89,704</u>	<u>-</u>
Total expenditures	<u>1,040,950</u>	<u>799,345</u>	<u>667,653</u>	<u>(131,692)</u>
Revenue over (under) expenditures	<u>(110,982)</u>	<u>(53,685)</u>	<u>(30,476)</u>	<u>23,209</u>

continued...

**VILLAGE OF QUINCY**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended March 31, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Other financing sources</b>				
Transfers in	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	(110,982)	(53,685)	(30,476)	23,209
Fund balance, beginning of year	133,687	133,687	133,687	-
<b>Fund balance, end of year</b>	<b>\$ 22,705</b>	<b>\$ 80,002</b>	<b>\$ 103,211</b>	<b>\$ 23,209</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**Major Streets Special Revenue Fund**  
**For the Year Ended March 31, 2007**

	<b>Original/ Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenue</b>			
Intergovernmental	\$ 86,900	\$ 91,103	\$ 4,203
Interest	1,200	363	(837)
Total revenue	88,100	91,466	3,366
<b>Expenditures</b>			
Public works	78,051	64,738	(13,313)
Revenue (under) over expenditures	10,049	26,728	(9,947)
<b>Other financing sources (uses)</b>			
Transfers in	-	10,000	10,000
Transfers out	(10,000)	(10,000)	-
Total other financing sources (uses)	(10,000)	-	10,000
Net change in fund balance	49	26,728	53
Fund balance, beginning of year	62,293	62,293	-
<b>Fund balance, end of year</b>	<b>\$ 62,342</b>	<b>\$ 89,021</b>	<b>\$ 26,679</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**Local Streets Special Revenue Fund**  
**For the Year Ended March 31, 2007**

	<b>Original/ Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenue</b>			
Intergovernmental	\$ 29,700	\$ 28,852	\$ (848)
Interest	500	140	(360)
Total revenue	30,200	28,992	(1,208)
<b>Expenditures</b>			
Public works	69,153	55,471	(13,682)
Revenue over (under) expenditures	(38,953)	(26,479)	12,474
<b>Other financing sources</b>			
Transfer in	20,000	20,000	-
Net change in fund balance	(18,953)	(6,479)	12,474
Fund balance, beginning of year	19,091	19,091	-
<b>Fund balance, end of year</b>	<b>\$ 138</b>	<b>\$ 12,612</b>	<b>\$ 12,474</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**Municipal Streets Special Revenue Fund**  
**For the Year Ended March 31, 2007**

	<b>Original/ Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenue</b>			
Taxes	\$ -	\$ 110,391	\$ 110,391
Interest	-	4	4
Total revenue	-	110,395	110,395
<b>Expenditures</b>			
Public works	-	80,048	80,048
Revenue over expenditures	-	30,347	30,347
<b>Other financing sources</b>			
Transfers out	-	(20,000)	(20,000)
Net change in fund balance	-	10,347	10,347
Fund balance, beginning of year	15,989	15,989	-
<b>Fund balance, end of year</b>	<b>\$ 15,989</b>	<b>\$ 26,336</b>	<b>\$ 10,347</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Statement of Net Assets**  
**Enterprise Funds**  
**March 31, 2007**

	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ (95)	\$ 263,128	\$ 263,033
Accounts receivable	17,636	26,899	44,535
Due from other funds	-	114,551	114,551
Inventory	4,782	21,325	26,107
Prepays	5,392	5,392	10,784
Total current assets	<u>27,715</u>	<u>431,295</u>	<u>459,010</u>
Non-current assets:			
Capital assets not being depreciated	21,851	-	21,851
Capital assets being depreciated, net	1,237,835	2,415,219	3,653,054
Total assets	<u>1,287,401</u>	<u>2,846,514</u>	<u>4,133,915</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	11,166	9,304	20,470
Accrued liabilities	1,060	10,913	11,973
Due to other funds	124,164	11,171	135,335
Current portion of long-term debt	20,000	15,000	35,000
Total current liabilities	<u>156,390</u>	<u>46,388</u>	<u>202,778</u>
Long-term liabilities:			
Revenue bonds payable	50,000	955,000	1,005,000
Compensated absences payable	1,236	1,236	2,472
Total long-term liabilities	<u>51,236</u>	<u>956,236</u>	<u>1,007,472</u>
Total liabilities	<u>207,626</u>	<u>1,002,624</u>	<u>1,210,250</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,189,686	1,445,219	2,634,905
Unrestricted (deficit)	(109,911)	398,671	288,760
Total net assets	<u>\$ 1,079,775</u>	<u>\$ 1,843,890</u>	<u>\$ 2,923,665</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Statement of Revenue, Expenses**  
**and Changes in Fund Net Assets**  
**Enterprise Funds**  
**For the Year Ended March 31, 2007**

	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>
<b>Operating revenue</b>			
Charges for services	\$ 225,730	\$ 338,751	\$ 564,481
<b>Operating expenses</b>			
Operations	243,654	236,324	479,978
Depreciation	71,177	109,962	181,139
Total operating expenses	314,831	346,286	661,117
Operating income (loss)	(89,101)	(7,535)	(96,636)
<b>Non-operating revenue (expense)</b>			
Interest revenue	73	11,161	11,234
Interest expense	(5,124)	(44,325)	(49,449)
Capital contributions	119,000	19,197	138,197
Total non-operating revenue (expense)	113,949	(13,967)	99,982
Change in net assets	24,848	(21,502)	3,346
Net assets, beginning of year	1,054,927	1,865,392	2,920,319
<b>Net assets, end of year</b>	<b>\$ 1,079,775</b>	<b>\$ 1,843,890</b>	<b>\$ 2,923,665</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended March 31, 2007**

	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 225,557	\$ 281,563	\$ 507,120
Cash payments to suppliers for goods and services	(178,787)	(223,343)	(402,130)
Cash payments to employees for services	(8,247)	(14,284)	(22,531)
Net cash provided by operating activities	38,523	43,936	82,459
<b>Cash flows from capital and related financing activities</b>			
Purchase of capital assets	(13,567)	(11,223)	(24,790)
Principal paid on bonds	(20,000)	(15,000)	(35,000)
Interest paid on bonds	(5,124)	(44,325)	(49,449)
Net cash used by capital and related financing activities	(38,691)	(70,548)	(109,239)
<b>Cash flows from investing activities</b>			
Interest received on investments	73	11,161	11,234
Net (decrease) in cash and cash equivalents	(95)	(15,451)	(15,546)
Cash and cash equivalents, beginning of year	-	278,579	278,579
<b>Cash and cash equivalents, end of year</b>	<b>\$ (95)</b>	<b>\$ 263,128</b>	<b>\$ 263,033</b>
<b>Statement of net assets classification of cash and cash equivalents</b>			
Cash and cash equivalents	\$ (95)	\$ 263,128	\$ 263,033

continued...

Non-cash transactions

During the year, the sewer and water funds received capital contributions of \$119,000 and \$19,197, respectively. These transactions did not involve cash.

**VILLAGE OF QUINCY**  
**Statement of Cash Flows**  
**Enterprise Funds (Concluded)**  
**For the Year Ended March 31, 2007**

	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating (loss)	\$ (89,101)	\$ (7,535)	\$ (96,636)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	71,177	109,962	181,139
Changes in assets and liabilities:			
Accounts receivable	158	308	466
Due from other funds	(331)	(57,496)	(57,827)
Inventory	(1,951)	(2,483)	(4,434)
Prepays	72	72	144
Accounts payable	857	1,537	2,394
Accrued liabilities	(311)	-	(311)
Due to other funds	57,827	-	57,827
Compensated absences payable	126	(429)	(303)
<b>Net cash provided by operating activities</b>	<b>\$ 38,523</b>	<b>\$ 43,936</b>	<b>\$ 82,459</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Combining Statement of Net Assets**  
**Component Units**  
**March 31, 2007**

	<b>Downtown Development Authority</b>	<b>Brownfield Redevelopment Authority</b>	<b>Local Development Financing Authority</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 20,994	\$ 31,250	\$ 60	\$ 52,304
Receivables, net	6,419	-	-	6,419
Total assets	27,413	31,250	60	58,723
<b>Liabilities</b>				
Accounts payable and accrued expenses	1,130	28,000	-	29,130
<b>Net assets</b>				
Unrestricted	<u>\$ 26,283</u>	<u>\$ 3,250</u>	<u>\$ 60</u>	<u>\$ 29,593</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended March 31, 2007**

	<b>Downtown Development Authority</b>	<b>Brownfield Redevelopment Authority</b>	<b>Local Development Financing Authority</b>	<b>Total</b>
<b>Revenue</b>				
Taxes	\$ 31,685	\$ 30,742	\$ 6,487	\$ 68,914
Interest revenue	148	50	-	198
	<u>31,833</u>	<u>30,792</u>	<u>6,487</u>	<u>69,112</u>
<b>Expenses</b>				
Community and economic development	54,083	-	-	54,083
Brownfield redevelopment	-	28,045	-	28,045
Local development financing authority	-	-	6,427	6,427
	<u>54,083</u>	<u>28,045</u>	<u>6,427</u>	<u>88,555</u>
Change in net assets	(22,250)	2,747	60	(19,443)
Net assets, beginning of year	<u>48,533</u>	<u>503</u>	<u>-</u>	<u>49,036</u>
<b>Net assets, end of year</b>	<u><u>\$ 26,283</u></u>	<u><u>\$ 3,250</u></u>	<u><u>\$ 60</u></u>	<u><u>\$ 29,593</u></u>

The accompanying notes are an integral part of these financial statements.

## NOTES to the FINANCIAL STATEMENTS

# VILLAGE OF QUINCY, MICHIGAN

## Index

### Notes to the Financial Statements

For the Year Ended March 31, 2007

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# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, *The Financial Reporting Entity*, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. The discretely presented component units have a March 31 year end.

#### *Discretely Presented Component Units.*

**Downtown Development Authority** - The Downtown Development Authority was created as a tax-increment financing (TIF) 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.

**Brownfield Redevelopment Authority** - The Brownfield Redevelopment Authority was established 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.

**Local Development Finance Authority** - The purpose of the LDFA is to finance improvements, through the use of tax increment financing, within the Village. The LDFA was established as a tax-increment financing (TIF) district in 2002 in accordance with Michigan Public Act 248 of 2000.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., 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 the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to 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 revenues* include (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 instead as *general revenues*.

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

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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.

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are 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 revenues 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for expenditure-driven grants. 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, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Intergovernmental revenues are accrued when earned. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

The *general fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *major streets fund* accounts for the use of motor fuel taxes which are earmarked by State statute for major street and highway purposes.

The *local streets fund* accounts for the use of motor fuel taxes which are earmarked by State statute for local street and highway purposes.

The *municipal streets fund* accounts for the use of resources raised by a millage for the maintenance of municipal streets.

The *capital projects fund* accounts for the use of funds raised by the issuance of long-term debt for the additions of streets and equipment.

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

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The Village reports the following major proprietary funds:

The *sewer fund* accounts for the activities of the Village's sewer system.

The *water fund* accounts for the activities of the Village's water distribution and treatment system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, liabilities and equity**

#### ***1. Deposits and investments***

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorizes the Village to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments. The Village's investment policy allows for all of these types of investments.

The Village's investments during the year consisted solely of bank investment pools. The bank investment pools are regulated by the Michigan Banking Act and the fair value of the position in the pool is the same as the value of the pooled shares.

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

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### 2. *Interfund receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

### 3. *Inventories and Prepaid Items*

All inventories are valued at cost using the first-in/first-out (FIFO) method.

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.

### 4. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items constructed or acquired after 1980), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

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Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water and Sewer Systems	30-50
Equipment	5-15
Buildings	30

### 5. *Compensated absences*

Village employees are allowed to accumulate sick days and vacation days under various formulas with specific rules regarding payment for unused days. The liability for compensated absences has been computed using the vesting method in accordance with Governmental Accounting Standards Board Statement No. 16 and is recorded in the government-wide and proprietary fund financial statements.

### 6. *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 applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### 7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

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### II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund and department. The Village Manager may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Village Council. The legal level of budgetary control is the department level. Certain supplemental budgetary appropriations were made during the year which were not considered material.

#### B. Excess of expenditures over appropriations

For the year ended March 31, 2007, there were no expenditures in excess of appropriations.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

A reconciliation of cash and cash equivalents as shown on the statement of net assets is as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total Reporting Entity</u>
Cash and cash equivalents	\$ <u>491,968</u>	\$ <u>52,304</u>	\$ <u>544,272</u>

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

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Cash and cash equivalents are classified as follows for risk categorization purposes:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total Reporting Entity</u>
Bank deposits (checking accounts, savings accounts and CDs)	\$ 280,568	\$ 52,304	\$ 332,872
Investments (sweep accounts)	211,000	-	211,000
Cash on hand	<u>400</u>	<u>-</u>	<u>400</u>
	<u>\$ 491,968</u>	<u>\$ 52,304</u>	<u>\$ 544,272</u>

Investments consisted entirely of amounts in overnight sweep accounts, which are uncategorized as to risk, and not rated by any credit rating agency.

### *Deposit and investment risk*

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in list of authorized investments in the accounting policies. The Village's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. None of the Village's deposits or investments had fixed maturity dates at year end.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the accounting policies. The Village's investment policy does not have specific limits in excess of state law on investment credit risk. None of the Village's investments at year end were rated.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year end, \$219,443 of the Village's bank balance of \$371,883 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Village does not have a policy for investment custodial credit risk. Of the above \$211,000 in investments, the Village has a custodial credit risk exposure of \$211,000 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities.

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the accounting policies. The Village's investment policy does not have specific limits in excess of state law on concentration of credit risk. All of the Village's investments are in overnight sweep accounts.

### B. Receivables

Receivables as of year end are comprised of the following:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
Accounts receivable	\$ -	\$ 44,535	\$ 6,419
Due from other governments	63,348	-	-
<b>Total</b>	<b>\$ 63,348</b>	<b>\$ 44,535</b>	<b>\$ 6,419</b>

### C. Capital assets

Capital assets activity for the year ended March 31, 2007 was as follows:

#### Primary Government

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 454,300	\$ -	\$ -	\$ 454,300
Capital assets being depreciated:				
Land improvements	1,527,778	66,713	-	1,594,491
Buildings	624,328	-	-	624,328
Equipment	557,264	17,600	(40,234)	534,630
Total capital assets being depreciated:	2,709,370	84,313	(40,234)	2,753,449
Less accumulated depreciation for:				
Land improvements	(727,909)	(83,249)	-	(811,158)
Buildings	(158,220)	(17,893)	-	(176,113)
Equipment	(404,905)	(33,551)	38,139	(400,317)
Total accumulated depreciation	(1,291,034)	(134,693)	38,139	(1,387,588)
Total capital assets being depreciated, net	1,418,336	(50,380)	(2,095)	1,365,861
<b>Governmental activities capital assets, net</b>	<b>\$ 1,872,636</b>	<b>\$ (50,380)</b>	<b>\$ (2,095)</b>	<b>\$ 1,820,161</b>

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 21,851	\$ -	\$ -	\$ 21,851
Capital assets being depreciated:				
Buildings	136,225	-	-	136,225
Equipment	413,962	43,239	-	457,201
Infrastructure	4,878,935	119,748	-	4,998,683
Total capital assets being depreciated:	5,429,122	162,987	-	5,592,109
Less accumulated depreciation for:				
Buildings	(84,583)	(4,238)	-	(88,821)
Equipment	(103,296)	(29,092)	-	(132,388)
Infrastructure	(1,570,037)	(147,809)	-	(1,717,846)
Total accumulated depreciation	(1,757,916)	(181,139)	-	(1,939,055)
Total capital assets being depreciated, net	3,671,206	(18,152)	-	3,653,054
<b>Business-type activities capital assets, net</b>	<b>\$ 3,693,057</b>	<b>\$ (18,152)</b>	<b>\$ -</b>	<b>\$ 3,674,905</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General government	\$ 24,044
Public works	110,649
<b>Total depreciation expense – governmental activities</b>	<b>\$ 134,693</b>
<b>Business-type Activities:</b>	
Sewer	\$ 71,177
Water	109,962
<b>Total depreciation expense – business-type activities</b>	<b>\$ 181,139</b>

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

### D. Accounts payable and accrued liabilities

Payables as of year end are comprised of the following:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
Accounts payable	\$ 37,384	\$ 20,470	\$ 29,130
Accrued liabilities	18,048	11,973	-
<b>Total</b>	<b>\$ 55,432</b>	<b>\$ 32,443</b>	<b>\$ 29,130</b>

### E. Interfund receivables, payables and transfers

The composition of interfund balances as of March 31, 2007, is as follows:

	<b>Receivable</b>	<b>Payable</b>
<b>Due to/from other funds:</b>		
General Fund	\$ 21,648	\$ 30,787
Special Revenue Fund		
Major Street	16,627	-
Local Street	-	864
Municipal Street	14,160	-
Enterprise Fund		
Sewer	-	124,164
Water	114,551	11,171
	<b>\$ 166,986</b>	<b>\$ 166,986</b>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ending June 30, 2007, interfund transfers consisted of the following:

	<b>Transfers In</b>		
<b>Transfers Out</b>	<b>Major Streets</b>	<b>Local Streets</b>	<b>Total</b>
Major Streets	\$ -	\$ 10,000	\$ 10,000
Municipal Streets	10,000	10,000	20,000
<b>Total</b>	<b>\$ 10,000</b>	<b>\$ 20,000</b>	<b>\$ 30,000</b>

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

**F. Long-term debt**

Long-term debt at March 31, 2007, is comprised of the following.

**Governmental activities**

2002 Capital Improvement Bonds, \$750,000, maturing serially through October 2016 in annual amounts ranging from \$40,000 to \$80,000, plus interest ranging from 2.25% to 5.00%.

2007 Capital Improvement Bonds, \$225,000, maturing serially through October 2019 in annual amounts ranging from \$10,000 to \$80,000, plus interest at a rate of 4.22%

2005 Salt Bin, Dump Truck and Leaf Vacuum, \$66,095, maturing serially through November 2010 in monthly payments ranging from \$531 to \$6,444, plus interest at a rate of 4.30%.

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance March 31, 2007</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
2002 Capital improvement bonds	\$ 645,000	\$ -	\$ 40,000	\$ 605,000	\$ 45,000
2007 Capital improvement bonds	-	225,000	-	225,000	10,000
1999 Installment contract payable	2,728	-	2,728	-	-
2005 Salt bin	20,411	-	4,908	15,503	4,908
2005 One ton dump truck	26,850	-	6,444	20,406	6,444
2005 Leaf vacuum	13,933	-	3,350	10,583	3,350
	<u>708,922</u>	<u>225,000</u>	<u>57,430</u>	<u>876,492</u>	<u>69,702</u>
Compensated absences	<u>17,337</u>	<u>-</u>	<u>5,924</u>	<u>11,413</u>	<u>4,565</u>
<b>Total</b>	<b><u>\$ 726,259</u></b>	<b><u>\$ 225,000</u></b>	<b><u>\$ 63,354</u></b>	<b><u>\$ 887,905</u></b>	<b><u>\$ 74,267</u></b>

For governmental activities, compensated absences are typically liquidated by the General Fund.

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

The annual requirements to service governmental activities obligations, excluding compensated absences payable, as of March 31, 2007, are as follows:

<b>Fiscal Year Ending March 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 69,702	\$ 36,969	\$ 106,671
2009	74,703	34,725	109,428
2010	79,703	31,634	111,337
2011	72,384	28,399	100,783
2012	70,000	25,372	95,372
2013-2019	510,000	73,035	583,035
	<b><u>\$ 876,492</u></b>	<b><u>\$ 230,134</u></b>	<b><u>\$ 1,106,626</u></b>

### Business-type activities

1995 Water Supply and Sewage Disposal Revenue Bonds, \$250,000, maturing serially through January 2010 in annual amounts ranging from \$20,000 to \$25,000, plus interest ranging from 5.50% to 7.00%.

1997 Water Supply and Sewage Disposal Revenue Bonds, \$1,091,000, maturing serially through January 2037 in annual amounts ranging from \$14,000 to \$53,000, plus interest at a rate of 4.50%.

	<b>Balance April 1, 2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance March 31, 2007</b>	<b>Due Within One Year</b>
<b>Business-Type activities:</b>					
1995 Sewer Revenue Bonds	\$ 90,000	\$ -	\$ 20,000	\$ 70,000	\$ 20,000
1997 Water Supply Revenue Bonds	985,000	-	15,000	970,000	15,000
	<u>1,075,000</u>	<u>-</u>	<u>35,000</u>	<u>1,040,000</u>	<u>35,000</u>
Compensated absences	<u>2,775</u>	<u>126</u>	<u>429</u>	<u>2,472</u>	<u>248</u>
<b>Total</b>	<b><u>\$ 1,077,775</u></b>	<b><u>\$ 126</u></b>	<b><u>\$ 35,429</u></b>	<b><u>\$ 1,042,472</u></b>	<b><u>\$ 35,248</u></b>

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

The annual requirements to service business-type activities debt obligations excluding compensated absences payable, as of March 31, 2007, are as follows:

<b>Fiscal Year Ending March 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 35,000	\$ 47,888	\$ 82,888
2009	42,000	46,011	88,011
2010	42,000	43,735	85,735
2011	18,000	41,445	59,445
2012	19,000	40,635	59,635
2013-2017	108,000	189,630	297,630
2018-2022	136,000	162,900	298,900
2023-2027	171,000	129,285	300,285
2028-2032	210,000	87,525	297,525
2033-2037	259,000	35,640	294,640
	<b><u>\$ 1,040,000</u></b>	<b><u>\$ 824,694</u></b>	<b><u>\$ 1,864,694</u></b>

### G. Segment information-enterprise funds

The government issued revenue bonds to finance certain improvements to its water and sewer systems. Because the Sewer Fund and the Water Fund are each reported as major funds in the fund financial statements and account entirely for a specific segment, disclosures are not required herein.

## IV. OTHER INFORMATION

### A. Risk management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2007, the Village carried insurance through various commercial carriers, including the Michigan Municipal League, to cover all risks of losses. The Village has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

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### **B. Property taxes**

Village property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are measurable and available in accordance with NCGA interpretation 3 (Revenue Recognition - Property Taxes). The Village bills and collects its own property taxes. Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied the following July 1 and are payable without penalty through September 15, at which time uncollected real 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 State taxable value of all real and personal property on which Village tax levies were based for the year ended March 31, 2007, was \$22,307,343 and the millage rates were 11.7894 mills for general operations and 4.7137 mills for municipal streets.

### **C. 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 total covered payroll under the Plan amounted to \$179,232 compared to \$212,649 of total payroll.

The Village is required to make annual contributions to the Village Employee's Pension Trust based on six percent of compensation. The Plan is non-contributory for employees.

Employer contributions made to the Plan for the year ended March 31, 2007, amounted to \$10,754.

\* \* \* \* \*

## SUPPLEMENTARY INFORMATION

**VILLAGE OF QUINCY**  
**Downtown Development Authority Component Unit**  
**Statement of Net Assets / Governmental Fund Balance Sheet**  
**March 31, 2007**

	<u>Special Revenue Fund</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 20,994	\$ -	\$ 20,994
Receivables, net	<u>6,419</u>	<u>-</u>	<u>6,419</u>
Total assets	<u><u>\$ 27,413</u></u>	<u>-</u>	<u>27,413</u>
<b>Liabilities</b>			
Due to primary government	<u>\$ 1,130</u>	<u>-</u>	<u>1,130</u>
<b>Fund balance</b>			
Unreserved - undesignated	<u>26,283</u>	<u>(26,283)</u>	
Total liabilities and fund balance	<u><u>\$ 27,413</u></u>		
<b>Net assets</b>			
Unrestricted		<u><u>\$ 26,283</u></u>	<u><u>\$ 26,283</u></u>

**VILLAGE OF QUINCY**  
**Downtown Development Authority Component Unit**  
**Statement of Activities / Governmental Fund**  
**Revenue, Expenditures and Changes in Fund Balance**  
**For the Year Ended March 31, 2007**

	<u>Special Revenue Fund</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Net Assets</u>
<b>Revenue</b>			
Taxes	\$ 31,685	\$ -	\$ 31,685
Fines and forfeitures	148	-	148
Total revenue	31,833	-	31,833
<b>Expenditures/expenses</b>			
Community and economic development	54,083	-	54,083
Change in fund balance/net assets	(22,250)	-	(22,250)
Fund balance/net assets, beginning of year	48,533	-	48,533
<b>Fund balance/net assets, end of year</b>	<u>\$ 26,283</u>	<u>\$ -</u>	<u>\$ 26,283</u>

**VILLAGE OF QUINCY**  
**Brownfield Redevelopment Authority Component Unit**  
**Statement of Net Assets / Governmental Fund Balance Sheet**  
**March 31, 2007**

	<u>Special Revenue Fund</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 31,250	\$ -	\$ 31,250
<b>Liabilities</b>			
Due to primary government	\$ 28,000	-	28,000
<b>Fund balance</b>			
Unreserved - undesignated	3,250	(3,250)	
Total liabilities and fund balance	\$ 31,250		
<b>Net assets</b>			
Unrestricted		\$ 3,250	\$ 3,250

**VILLAGE OF QUINCY**  
**Brownfield Redevelopment Authority Component Unit**  
**Statement of Activities / Governmental Fund**  
**Revenue, Expenditures and Changes in Fund Balance**  
**For the Year Ended March 31, 2007**

	<u>Special Revenue Fund</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Net Assets</u>
<b>Revenue</b>			
Taxes	\$ 30,742	\$ -	\$ 30,742
Fines and forfeitures	50	-	50
Total revenue	30,792	-	30,792
<b>Expenditures</b>			
Brownfield redevelopment	28,045	-	28,045
Change in fund balance/net assets	2,747	-	2,747
Fund balance/net assets, beginning of year	503	-	503
<b>Fund balance/net assets, end of year</b>	<u>\$ 3,250</u>	<u>\$ -</u>	<u>\$ 3,250</u>

**VILLAGE OF QUINCY**  
**Local Development Financing Authority Component Unit**  
**Statement of Net Assets / Governmental Fund Balance Sheet**  
**March 31, 2007**

	<u>Special Revenue Fund</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 60	\$ -	\$ 60
<b>Liabilities</b>			
Due to primary government	\$ -	-	-
<b>Fund balance</b>			
Unreserved - undesignated	60	(60)	
Total liabilities and fund balance	\$ 60		
<b>Net assets</b>			
Unrestricted		\$ 60	\$ 60

**VILLAGE OF QUINCY**  
**Local Development Financing Authority Component Unit**  
**Statement of Activities / Governmental Fund**  
**Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended March 31, 2007**

	<u>Special Revenue Fund</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Net Assets</u>
<b>Revenue</b>			
Taxes	\$ 6,487	\$ -	\$ 6,487
<b>Expenditures</b>			
Local development financing authority	6,427	-	6,427
Revenue over (under) expenditures	60	-	60
Change in fund balance/net assets	60	-	60
Fund balance/net assets, beginning of year	-	-	-
<b>Fund balance/net assets, end of year</b>	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ 60</u>



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

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November 19, 2007

To the Village Council of the  
Village of Quincy  
Quincy, Michigan

We have audited the financial statements of the Village of Quincy for the year ended March 31, 2007, and have issued our report thereon dated November 19, 2007. 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 dated June 13, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village of Quincy. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

## **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Quincy are described in Note 1 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 Village of Quincy during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

## **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 most sensitive estimates affecting the financial statements were:



- Management's estimate of the original cost and accumulated depreciation of its infrastructure capital assets is based on current replacement costs, and an assumed rate of inflation from the dates of original acquisition/construction. We evaluated the key factors assumptions used to develop the original cost and accumulated depreciation of the City's infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Village of Quincy's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Village of Quincy, either individually or in the aggregate, indicate matters that could have a significant effect on the Village of Quincy's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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.

### **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 governmental unit's 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 Village of Quincy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

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

This letter and the accompanying memorandum are intended for the use of the Village Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

# Village of Quincy

## Comments and Recommendations

### For the Year Ended March 31, 2007

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In planning and performing our audit of the financial statements of the Village of Quincy as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the first 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 significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider certain deficiencies, as described below, to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that certain deficiencies, as described below, constitute material weaknesses.

#### Material Weaknesses

##### **2007-1 – Preparation of Financial Statements in Accordance with GAAP**

**Criteria:** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

**Condition:** As is the case with many smaller and medium-sized entities, the Village has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Village's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

# Village of Quincy

## Comments and Recommendations

For the Year Ended March 31, 2007

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**Cause:** This condition was caused by management's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

**Effect:** As a result of this condition, the Village lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

### View of

#### Responsible

#### Officials:

Management has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

### 2007-2 – Adjustment of Year-end Trial Balances

**Criteria:** The Village is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

**Condition:** Several significant adjustments were necessary to agree key account to their proper underlying balances.

**Cause:** The condition was caused by the Village relying, in part, on its external auditors to assist with proposing certain year end accruals and other adjustments.

**Effect:** As a result of this condition, the Village is not able to produce accurate financial information that would allow those charged with governance to make fully informed decisions.

### View of

#### Responsible

#### Officials:

Management acknowledges its responsibility for making these adjustments, and intends to develop a plan to identify and record all necessary year end adjustments in the future.

# Village of Quincy

## Comments and Recommendations

For the Year Ended March 31, 2007

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### Other Matters

#### **Internal Controls – Segregation of Duties**

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Village's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.

As is the case with many organizations of similar size, the Village lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of a government's internal controls carries with it a greater risk of fraud and abuse.

As stated previously, the establishing and maintaining of internal controls is the responsibility of management. As the Village's independent external auditors, we are specifically banned by professional standards from performing any management functions. In other words, the annual audit is not a part of the Village's internal control structure, and cannot not be relied upon as part of *management's* systems to deter or detect fraud and abuse.

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

During the fiscal year under audit, the Village hired additional administrative staff and has effectively segregated various duties that were previously handled by a single individual. While there will always be further opportunities for strengthening internal controls, we commend the Village for taking these steps, and encourage management to reevaluate the adequacy of its internal controls on an annual basis.

# Village of Quincy

## Comments and Recommendations

For the Year Ended March 31, 2007

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### Bank Reconciliations

The Michigan Department of Treasury has issued guidance re-emphasizing its position as stated in the *Uniform Accounting Procedures Manual* that local units of government are required to prepare bank reconciliations for all cash accounts monthly. Auditors are now required to report to the Local Audit and Finance Division whether all bank reconciliations examined in connection with our audit were performed timely (i.e., within six weeks of each month end).

While we are pleased to note that most of the Village's cash accounts were reconciled at year end, we noted that the General Fund and Water/Sewer pooled cash accounts were not reconciled when we arrived to begin fieldwork in early June. However, subsequent to year end, the Village has made significant strides to improve the timeliness of its bank reconciliations (completing them within 1-2 weeks of month end), and is now current on all outstanding reconciliations. Accordingly, we are pleased to report that the Village has resolved this condition.

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