

**VILLAGE OF QUINCY**

DAYTON REGION, LOGAN COUNTY

**REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006





# Mary Taylor, CPA

Auditor of State

Mayor and Members of Council  
Village of Quincy  
115 North Miami Street  
Quincy, Ohio 43343

We have reviewed the *Independent Accountants' Report* of the Village of Quincy, Logan County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Quincy is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

August 19, 2008

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**VILLAGE OF QUINCY  
LOGAN COUNTY**

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**MANNING & ASSOCIATES CPAs, LLC**  
**6105 NORTH DIXIE DRIVE**  
**DAYTON, OHIO 45414**

**INDEPENDENT ACCOUNTANTS' REPORT**

Mayor and Members of Council  
Village of Quincy  
115 N. Miami Street  
Quincy, Ohio 43343

We have audited the accompanying financial statements of the Village of Quincy, Logan County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 opinion.

As described more fully in Note 1, the Village has prepared financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its large (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006 or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Quincy, Logan County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Village of Quincy  
Logan County  
Report of Independent Accountants

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 20, 2008, on our consideration of the Village's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC  
Dayton, Ohio

May 20, 2008

**VILLAGE OF QUINCY  
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$ 40,249	28,654	0	\$ 68,903
Intergovernmental Revenues	48,793	31,355	54,923	135,071
Charges for Services	9,035	0	0	9,035
Fines, Licenses and Permits	2,454	0	0	2,454
Earnings on Investments	6,946	0	0	6,946
Miscellaneous	273	1,866	0	2,139
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Total Cash Receipts	107,750	61,875	54,923	224,548
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	\$ 33,945	\$ 1,983	\$ 0	\$ 35,928
Leisure Time Activities	23,589	0	0	23,589
Transportation	0	31,472	0	31,472
General Government	63,016	0	0	63,016
Capital Outlay	2,244	11,944	54,923	69,111
Debt Service:				
Principal	1,378	10,477	0	11,855
Interest Charges	344	3,437	0	3,781
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Total Cash Disbursements	124,516	59,313	54,923	238,752
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(16,766)	2,562	0	(14,204)
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Fund Cash Balances, January 1	43,609	157,941	0	201,550
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<b>Fund Cash Balances, December 31</b>	<u>\$ 26,843</u>	<u>\$ 160,503</u>	<u>0</u>	<u>\$ 187,346</u>

The Notes to the Financial Statements are an integral part of this statement.



**VILLAGE OF QUINCY  
LOGAN COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES -  
ALL PROPRIETARY AND SIMILAR FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<b>Proprietary Funds Types</b>
	<b>Enterprise</b>
<b>Operating Cash Revenues:</b>	
Charges for Services	\$ 239,282
Total Operating Cash Receipts	239,282
<b>Operating Cash Disbursements:</b>	
Personal Service	\$ 26,550
Employee Fringe Benefits	10,212
Contractual Services	34,016
Supplies and Materials	53,080
Other	251
Total Operating Cash Disbursements	124,109
Operating Income/ (Loss)	115,173
<b>Non-Operating Cash Receipts/(Expenses):</b>	
Miscellaneous Receipts	51,007
Capital Outlay	(28,139)
Debt Service:	
Redemption of Principal	(96,063)
Interest and Other Fiscal Charges	(38,891)
Total Non-Operating Cash Receipts/(Expenses)	(112,086)
Net Revenues Over/(Under) Expenses	3,087
Fund Cash Balances, January 1	229,478
<b>Fund Cash Balances, December 31</b>	<b>\$ 232,565</b>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF QUINCY  
LOGAN COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Governmental Fund Types</u>		<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 41,645	\$ 31,160	\$ 72,805
Intergovernmental Revenues	43,012	36,119	79,131
Charges for Services	7,760	0	7,760
Fines, Licenses and Permits	164	0	164
Earnings on Investments	11,114	0	11,114
Miscellaneous	4,200	339	4,539
<b>Total Cash Receipts</b>	<u>107,895</u>	<u>67,618</u>	<u>175,513</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	\$ 32,548	\$ 284	\$ 32,832
Leisure Time Activities	21,276	0	21,276
Transportation	0	30,208	30,208
General Government	58,784	0	58,784
Capital Outlay	7,220	6,562	13,782
Debt Service:			
Principal	1,376	8,376	9,752
Interest Charges	423	3,324	3,747
<b>Total Cash Disbursements</b>	<u>121,627</u>	<u>48,754</u>	<u>170,381</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(13,732)</u>	<u>18,864</u>	<u>5,132</u>
<b>Other Financing Sources/(Uses):</b>			
Advances-Out	<u>(16,957)</u>	<u>0</u>	<u>(16,957)</u>
<b>Total Other Financing Receipts (Disbursements)</b>	<u>(16,957)</u>	<u>0</u>	<u>(16,957)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(30,689)	18,864	(11,825)
Fund Cash Balances, January 1	<u>74,298</u>	<u>139,077</u>	<u>213,375</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 43,609</u>	<u>\$ 157,941</u>	<u>\$ 201,550</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF QUINCY  
LOGAN COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES -  
ALL PROPRIETARY AND SIMILAR FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 194,663
Total Operating Cash Receipts	194,663
<b>Operating Cash Disbursements:</b>	
Personal Service	\$ 26,287
Employee Fringe Benefits	9,629
Contractual Services	32,869
Supplies and Materials	47,062
Other	192
Total Operating Cash Disbursements	116,039
Operating Income/ (Loss)	78,624
<b>Non-Operating Cash Disbursements:</b>	
Intergovernmental	65,200
Miscellaneous Receipts	59,217
Capital Outlay	(91,878)
Redemption of Principal	(84,880)
Interest and Other Fiscal Charges	(41,918)
Total Non-Operating Cash Disbursements	(94,259)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(15,635)
Advances-In	16,957
Net Revenues Over/(Under) Expenses	1,322
Fund Cash Balances, January 1	228,156
<b>Fund Cash Balances, December 31</b>	<b>\$ 229,478</b>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF QUINCY  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Quincy, Logan County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides general governmental services, emergency medical services, fire services, water and sewer utilities, and park operations (leisure time activities). The Village contracts with the Logan County Sheriff's department to provide security of persons and property.

The Village has a joint operating agreement with Miami Township in that the Township supplies all the ambulance and fire equipment and the Village supplies the ambulance building, ambulance chief, fire department, fire department chief, and the Village also pays a share of all expenses for the ambulance and fire departments.

The Village has a joint agreement with the Logan County Engineer for the joint purchase of land and construction of salt bins. The Village was obligated for one-third of the bills for the purchase of the land and construction costs. The salt bins are jointly shared by the three entities for usage during the winter months and all three entities are responsible for maintenance and repair.

The Village of joint ownership with the Village of DeGraff in the operation, use and maintenance of a sewerage treatment plant. The Board is comprised of five members plus one clerk and one assistant clerk. The Board is appointed by the Village of DeGraff and Quincy. This relationship is further described in Note 8.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Certificates of deposit are valued at cost.

**VILLAGE OF QUINCY  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

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

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**Street Construction, Maintenance and Repair Fund** – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**Fire Fund** – This fund receives tax money to help construct and maintain the firehouse in the Village.

**3. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

**Utility Improvement Fund** – This fund receives the proceeds of a federal grant to finance a utility plant expansion.

**Enterprise Debt Service Fund** – This fund received the proceeds of an OWDA loan to finance a utility plant expansion. After completion of this project this fund will be used to service the debt on this loan.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF QUINCY  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash balance as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are cancelled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$ 419,911	\$ 327,210
Certificates of Deposit	<u>0</u>	<u>103,818</u>
Total Deposits	<u>\$ 419,911</u>	<u>\$ 431,028</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF QUINCY**  
**LOGAN COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 as follows:

**2007 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 105,000	107,750	\$ 2,750
Special Revenue	67,100	61,875	(5,225)
Capital Projects	0	54,923	54,923
Enterprise Funds	199,000	290,289	91,289
Total	<u>\$ 371,100</u>	<u>\$ 514,837</u>	<u>\$ 143,737</u>

**2007 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 148,609	124,516	\$ 24,093
Special Revenue	225,041	59,313	165,728
Capital Projects	0	54,923	(54,923)
Enterprise Funds	422,328	287,202	135,126
Total	<u>\$ 795,978</u>	<u>\$ 525,954</u>	<u>\$ 270,024</u>

**2006 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 102,000	107,895	\$ 5,895
Special Revenue	62,000	67,618	5,618
Enterprise Funds	183,500	319,080	135,580
Total	<u>\$ 347,500</u>	<u>\$ 494,593</u>	<u>\$ 147,093</u>

**2006 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 175,119	121,627	\$ 53,492
Special Revenue	201,077	48,754	152,323
Enterprise Funds	411,652	334,715	76,937
Total	<u>\$ 787,848</u>	<u>\$ 505,096</u>	<u>\$ 282,752</u>

Contrary to Ohio Law, an official certificate of estimated resources and appropriation was not obtained for the CDBG grant in 2006 and Issue II grant in 2007.

**VILLAGE OF QUINCY  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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**4. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**5. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest
GMAC Commercial Mortgage Loan	\$ 94,000	5.0%
Ohio Water Development Authority Loan – Water Tower	125,787	6.85%
Ohio Public Works Commission – Water Main	56,164	0.0%
Fire Safety Bonds	26,000	7.25%
Ohio Water Development Authority Loan – Sewer Construction	<u>1,565,735</u>	1.5%
Total	<u>\$1,867,686</u>	

The GMAC Commercial Mortgage Loans consist of four separate loans for a sewer line project completed during 1987. The loan payments are made in annual installments from the Enterprise Sewer Fund. Two loans mature during 2012 and two during 2014.

Ohio Water Development Authority (OWDA) Water Tower loan relates to the water tower and water system improvements completed in 1993 by the Village. The loan will be paid in semi-annual installments based on a predetermined amortization schedule. This is paid from the Enterprise Water Fund and matures during 2018.

Ohio Public Works Commission (OPWC) loan relates to the water main replacement project on State Route 235. The loan was obtained during 1996 and will be paid in semi-annual installments based on a predetermined amortization schedule. This is paid from the Enterprise Fund and matures during 2017.

Fire Safety Bonds relate to the 1990 construction of a new firehouse. The loan will be paid in semi-annual installments based on a predetermined amortization schedule. This is paid from the Fire Department Levy Fund and matures during 2010.



**VILLAGE OF QUINCY  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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**5. DEBT (continued)**

The Village was approved for a loan up to \$2,178,461 from the Ohio Water Development Authority (OWDA) to finance the sewer plant expansion. The loan will be paid in semi-annual installments at 1.5 percent interest. This is paid from the Sewer Fund and matures during 2034.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31,	GMAC Loans	OWDA Loan Water Tower	OPWC Water Main	Fire Safety Bonds	OWDA Loan Sewer
2008	\$ 0	\$ 8,892	\$ 2,956	\$ 9,885	\$ 36,474
2009	24,700	17,785	5,912	10,305	72,948
2010	24,650	17,785	5,912	9,653	72,948
2011	25,350	17,785	5,912	0	72,947
2012	25,200	17,785	5,912	0	72,948
2013 – 2017	0	88,925	29,560	0	364,738
2018 – 2022	0	8,892	0	0	364,738
2023 – 2027	0	0	0	0	364,738
2028 – 2032	0	0	0	0	364,738
2033 – 2037	0	0	0	0	109,420
Total	<u>\$ 99,900</u>	<u>\$ 177,849</u>	<u>\$ 56,164</u>	<u>\$ 29,843</u>	<u>\$ 1,896,637</u>

**6. RETIREMENT SYSTEMS**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, members of OPERS contributed 9.5 % and 9%, respectively, of their gross salaries. The Village contributed an amount equal to 13.85% and 13.70%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007 and 2006.

**VILLAGE OF QUINCY  
LOGAN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions

The Village provides health insurance to fulltime employees.

**8. JOINT VENTURE**

The Village was under EPA mandate to upgrade their Waste Water Treatment Plant. The Village will share the costs of this upgrade with the Village of DeGraff. The total cost of the project is estimated at \$3,000,000 minus grants which will leave a balance of approximately \$1,600,000 to be financed. The project was completed and was in service starting April 12, 2006. Each Village's construction and operation costs will be based on flow into the plant. At this time, it is estimated that approximately 60-70% of the cost will be paid by the Village of DeGraff.

The Village of DeGraff remits semi-annually its share of the debt payment to the Village. These payments are recorded in the Enterprise Fund as Non Operating Miscellaneous Receipts. For 2007 and 2006 the Village was paid \$50,882 and \$51,067, respectively.

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**MANNING & ASSOCIATES, CPAs, LLC**  
**6105 North Dixie Drive**  
**Dayton, Ohio 45414**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Members of Council  
Village of Quincy  
115 N. Miami Street  
Quincy, Ohio 43343

We have audited the financial statements of Village of Quincy, Logan County (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 20, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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

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 its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-consequential financial statement misstatement.

### **Internal Control Over Financial Reporting, continued**

We consider the following deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting: 2007-002 through 2007-006.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-003 and 2007-006 are also material weaknesses.

We noted certain matters that we reported to the Village's management in a separate letter dated May 20, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as item 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 20, 2008.

We intend this report for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.

Manning & Associates CPAs, LLC  
Dayton, Ohio

May 20, 2008

**VILLAGE OF QUINCY  
LOGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Ohio Rev. Code Section 5705.41 (D)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval or expenditures by the Village.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period exceeding three months (three month limitation was eliminated effective September 26, 2003) or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super blanket certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

**VILLAGE OF QUINCY  
LOGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001, continued**

Eleven expenditures in 2007 and twelve expenditures in 2006 were not properly certified prior to the Village incurring an expense, "Then and Now" purchase orders were not used by the Village. Unless the exception noted above is used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Village's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

Response: Fiscal Officer will review the proper use of purchase orders.

**FINDING NUMBER 2007-002**

**On behalf payments/Budgetary**

The Village did not record on-behalf payments made to contractors for the Ohio Public Works Issue II Grant in 2007 or the CDBG Grant in 2006 in the amount of \$54,923 and \$65,200, respectively. The Village for the purpose of accounting for these on-behalf payments should record these monies in the appropriate fund established; also such monies should be budgeted by the Village. By not recording the receipts and disbursements, the Village financial statements result in an understatement of financial benefit provided by the grant. The accompanying financial statement has been adjusted to reflect this activity.

We recommend the Village record future payments made by the grant as receipts and disbursements within the appropriate fund.

In addition, the Village should obtain an official certificate of estimated resource for any on-behalf-payments expected, and pass a resolution for its appropriation measure under Ohio Rev. Code section 5705.40.

Response: The Village will review AOS Bulletin 2000-008, and record on behalf payments as directed.

**FINDING NUMBER 2007-003**

**Enterprise Activities**

To help assure an accurate financial statement presentation, an entity should record all financial transactions related to business type activities, such as water and sewer utilities, in the Enterprise Fund Type. The Village did not record the monies remitted by the Village of DeGraff for their proportionate share of the debt, and the subsequent payment on the debt service. Debt service payments were posted to capital outlay instead of debt principal and interest. The accompanying financial statements have been adjusted to properly reflect the activity of the enterprise funds.

**VILLAGE OF QUINCY  
LOGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-003, continued**

Failure to properly classify all activity related to the Village's Enterprise Funds inhibits the ability of management and other user's to analyze the financial statements. In addition, this could result in the misspending of funds restricted for use by the Village's water and sewer utilities.

The Village should record all activity related to the operation of its water and sewer utilities within the Enterprise Fund Type.

Response: The Fiscal Officer will make every effort to properly record all activity of the Village in the appropriate fund.

**FINDING NUMBER 2007-004**

**Payroll**

The Village processes its payroll manually. In 2007, it was noted the total on the employee earnings record did not agree to the W-2 for that employee. This was traced to an unrecorded payroll on the employee earnings record. In 2006, it was noted on the amounts filed quarterly on form 941 did not agree to the annual summary W-3 withholding.

The Fiscal Officer should double check the forms for accuracy. It is further recommended to utilize the UAN system for payroll processing, to eliminate these types of errors.

Response: The Fiscal Officer is considering implementation of computer generated payroll through UAN system.

**FINDING NUMBER 2007-005**

Ohio Rev. Code, Section 733.28, requires the Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village did not properly classify receipt and disbursement transactions. An accurate record was not maintained for all monies received by the Village. The following errors were noted:

- A. Revenue and disbursements paid directly by the Ohio Public Works Commission and CDBG (in the form of loans and grants) were not properly posted to the ledgers and annual financial report.
- B. Principal and interest payments on the debt of the Village was improperly classified as capital outlay, equipment, or buildings and structures.
- C. Improper posting of receipts to miscellaneous.
- D. Interest was not allocated to MV fund.
- E. Advance not properly classified and recorded.



**VILLAGE OF QUINCY  
LOGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-005, continued**

All of these conditions exhibit a lack of control over the recording and reporting of Village financial activity and did result in inaccurate accounting records.

We recommend the Village post items according to the Village handbook. The Village has made these adjustments to their books and the adjustments are reflected in the financial statements.

Response: The Village will review its current accounting methods and implement changes where needed.

**FINDING NUMBER 2007-006**

**Monitoring of Financial Activity**

To assist in the management of financial resources, a governing body should periodically review and approve financial statements. In addition, to help assure accountability over recorded activity, and deposit and investment balances, the governing body should review and approve monthly bank-to-book reconciliations. The Village's Council and Board of Public Affairs did not receive all the financial reports and/or reconciliations during 2006 and part of 2007.

The failure of the Village's governing bodies to monitor the financial activity of the Village could result in financial objectives not being achieved; the violation of Ohio Rev. Code laws, Village Ordinances, grant requirements, or debt covenants; or errors and/or irregularities occurring and not being detected in a timely manner.

The Village should implement monitoring procedures that requires the monthly review of financial reports such as budget versus actual revenue and expenditure reports and fund balance reports, along with the monthly bank to book reconciliation. Evidence of the review and approval of financial reports should be evidenced by signatures or initials on the documents reviewed and/or mention in the minutes.

Response: The Village implemented monitoring procedures in 2007. Sign off procedures will be implemented as proof of the monitoring process.

**VILLAGE OF QUINCY  
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; <b>Explain</b>
2005-001	Reporting of Enterprise Fund activity	No	Reissued as finding 2007-003
2005-002	Monitoring financial activity	Partially	Reissued as finding 2007-006.



**Mary Taylor, CPA**  
Auditor of State

VILLAGE OF QUINCY

LOGAN COUNTY

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 2, 2008