

***VILLAGE OF QUINCY
LOGAN COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2011 & 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Village Council
Village of Quincy
115 North Main Street
Quincy, Ohio 43343

We have reviewed the *Report of Independent Accountants* of the Village of Quincy, Logan County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 5, 2012

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VILLAGE OF QUINCY
LOGAN COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2011 & 2010

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Quincy
Logan County
115 North Main Street
Quincy, Ohio 43343

To the Village Council:

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, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 these 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2011 and 2010, 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, 2011 and 2010, or its changes in financial position or cash flows 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 as of December 31, 2011 and 2010 of the Village of Quincy, Logan County, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

As described in Note 10, during 2010 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012, on our consideration of the Village's internal control 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.

Charles E. Harris

Charles E. Harris & Associates, Inc.

June 22, 2012

VILLAGE OF QUINCY
LOGAN COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2011

	Governmental Fund Types			Totals- (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property Taxes	\$ 41,767	\$ 33,246	\$ -	\$ 75,013
Municipal Income Tax	40,300	-	-	40,300
Intergovernmental	36,230	27,873	12,900	77,003
Charges for Service	4,410	-	-	4,410
Fines, Licenses and Permits	3,185	-	-	3,185
Interest	564	79	-	643
Other	1,108	203	-	1,311
Total Receipts	127,564	61,401	12,900	201,865
Disbursements:				
Security of Persons & Property	28,388	9,038	-	37,426
Leisure Time Activities	24,838	-	-	24,838
Transportation	-	35,940	-	35,940
General Government	54,918	-	-	54,918
Capital Outlay	6,169	19,747	9,038	34,954
Debt Service:				
Principal	2,083	5,083	86,000	93,166
Interest	125	3,199	3,251	6,575
Total Disbursements	116,521	73,007	98,289	287,817
Total Receipts Over/(Under) Disbursements	11,043	(11,606)	(85,389)	(85,952)
Other Financing Sources/(Uses):				
Loan Proceeds	-	-	86,000	86,000
Total Other Financing Sources/(Uses)	-	-	86,000	86,000
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	11,043	(11,606)	611	48
Fund Cash Balance, January 1, 2011	15,270	147,095	1,053	163,418
Fund Cash Balance:				
Restricted	-	135,489	1,664	137,153
Unassigned	26,313	-	-	26,313
Fund Cash Balance, December 31, 2011	\$ 26,313	\$ 135,489	\$ 1,664	\$ 163,466

See Accompanying Notes to the Financial Statements.

**VILLAGE OF QUINCY
LOGAN COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES -PROPRIETARY FUND TYPE
For the Year Ended December 31, 2011**

	Proprietary Fund Types
	Enterprise
Receipts:	
Charges for Services	\$ <u>236,708</u>
Total Receipts	<u>236,708</u>
Disbursements:	
Personal Services	38,617
Employee Fringe Benefits	15,397
Contractual Services	54,942
Material and Supplies	72,483
Other	<u>626</u>
Total Disbursements	<u>182,065</u>
Excess of Receipts Over/(Under) Disbursements	<u>54,643</u>
Non-Operating Receipts/(Disbursements):	
Capital Outlay	(3,419)
Debt Service:	
Redemption of Principal	(114,041)
Interest Expense	(30,214)
Miscellaneous Receipts	<u>47,064</u>
Total Non-Operating Receipts/(Disbursements)	<u>(100,610)</u>
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	<u>(45,967)</u>
Fund Cash Balance, January 1, 2011	<u>187,926</u>
Fund Cash Balance, December 31, 2011	<u><u>\$ 141,959</u></u>

See Accompanying Notes to the Financial Statements.

VILLAGE OF QUINCY
LOGAN COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2010

	Governmental Fund Types			Totals- (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property Taxes	\$ 42,916	\$ 34,831	\$ -	\$ 77,747
Municipal Income Tax	7,761	-	-	7,761
Intergovernmental	36,254	28,054	19,100	83,408
Charges for Service	3,150	-	-	3,150
Fines, Licenses and Permits	2,391	-	-	2,391
Interest	991	63	-	1,054
Other	1,660	296	-	1,956
Total Receipts	95,123	63,244	19,100	177,467
Disbursements:				
Security of Persons & Property	23,152	7,738	-	30,890
Leisure Time Activities	19,124	-	-	19,124
Transportation	-	35,919	-	35,919
General Government	42,540	-	-	42,540
Capital Outlay	-	37,592	104,047	141,639
Debt Service:				
Principal	1,041	11,415	-	12,456
Interest	63	487	-	550
Total Disbursements	85,920	93,151	104,047	283,118
Total Receipts Over/(Under) Disbursements	9,203	(29,907)	(84,947)	(105,651)
Other Financing Sources/(Uses):				
Loan Proceeds	-	-	86,000	86,000
Total Other Financing Sources/(Uses)	-	-	86,000	86,000
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	9,203	(29,907)	1,053	(19,651)
Fund Cash Balance, January 1, 2010	6,067	177,002	-	183,069
Fund Cash Balance:				
Restricted	-	147,095	1,053	148,148
Unassigned	15,270	-	-	15,270
Fund Cash Balance, December 31, 2010	\$ 15,270	\$ 147,095	\$ 1,053	\$ 163,418

See Accompanying Notes to the Financial Statements.

**VILLAGE OF QUINCY
LOGAN COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES -PROPRIETARY FUND TYPE
For the Year Ended December 31, 2010**

	Proprietary Fund Types
	Enterprise
Receipts:	
Charges for Services	\$ <u>256,144</u>
Total Receipts	<u>256,144</u>
Disbursements:	
Personal Services	36,228
Contractual Services	49,213
Material and Supplies	71,174
Employee Fringe Benefits	18,096
Other	<u>671</u>
Total Disbursements	<u>175,382</u>
Excess of Receipts Over/(Under) Disbursements	<u>80,762</u>
Non-Operating Receipts/(Disbursements):	
Loan Proceeds	41,000
Earning on Investments	221
Miscellaneous Receipts	58,096
Intergovernmental	12,377
Capital Outlay	(38,601)
Debt Service:	
Redemption of Principal	(104,217)
Interest Expense	<u>(32,086)</u>
Total Non-Operating Receipts/(Disbursements)	<u>(63,210)</u>
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	<u>17,552</u>
Fund Cash Balance, January 1, 2010	<u>170,374</u>
Fund Cash Balance, December 31, 2010	<u><u>\$ 187,926</u></u>

See Accompanying Notes to the Financial Statements.

VILLAGE OF QUINCY
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

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 for the purpose of exercising 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 protection services, water and sewer utilities, park operations, and street maintenance services. The Village contracts with Logan County Sheriff's department to provide police protection for its citizens.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following 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.)

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

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

VILLAGE OF QUINCY
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

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

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

- Street Construction Maintenance & 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.

Capital Projects Funds: These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects(except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

- Fire Department Addition Fund – This fund accounted for funds borrowed for the construction of a building used to house the fire department.

VILLAGE OF QUINCY
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Proprietary Fund Types:

Enterprise Funds: To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

The Village has the following significant Enterprise Funds:

- Sewer Fund- This fund receives loans from OWDA for the planning construction of a wastewater collection system. The fund will receive user fees from residents when the construction is complete.
- Water Fund- This fund receives loans from OWDA for the planning construction of a water distribution system. The fund will receive user fees from residents when the construction is complete.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Fiscal Officer by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

VILLAGE OF QUINCY
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS- (Continued)

On or about January 1, the Fiscal Officer sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Fiscal Officer identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2010 and 2011. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations outstanding at year end are cancelled and re-appropriated in the subsequent year.

F. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources.

VILLAGE OF QUINCY
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. FUND BALANCE- (Continued)

1. Nonspendable- The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.
2. Restricted- Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.
3. Committed- The Village Council can commit amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.
4. Assigned- Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council.
5. Unassigned- Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. PROPERTY, PLANT AND EQUIPMENT

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

VILLAGE OF QUINCY
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash and investment 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>2011</u>	<u>2010</u>
Demand Deposits	\$ <u>305,425</u>	\$ <u>351,344</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

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

Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30. Tangible personal property taxes are being phased out through 2011.

VILLAGE OF QUINCY
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

3. PROPERTY TAXES- (Continued)

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs Actual Receipts

<u>Fund:</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$115,000	\$127,564	\$12,564
Special Revenue Funds	61,500	61,401	(99)
Capital Projects	98,900	98,900	-
Enterprise Fund	259,000	283,772	24,772

2011 Budgeted vs Actual Budgetary Basis Disbursements

<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General Fund	\$ 130,270	\$116,521	\$13,749
Special Revenue Funds	208,595	73,007	135,588
Capital Projects	99,124	98,289	835
Enterprise Fund	446,926	329,739	117,187

2010 Budgeted vs Actual Receipts

<u>Fund:</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$85,856	\$95,123	\$9,267
Special Revenue Funds	60,950	63,244	2,294
Capital Projects	118,000	105,100	(12,900)
Enterprise Fund	372,121	367,838	(4,283)

2010 Budgeted vs Actual Budgetary Basis Disbursements

<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General Fund	\$86,898	\$85,920	\$978
Special Revenue Funds	235,752	93,151	142,601
Capital Projects	118,000	104,047	13,953
Enterprise Fund	542,495	350,286	192,209

VILLAGE OF QUINCY
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

4. BUDGETARY ACTIVITY-(Continued)

The Village was in violation of Ohio Revised Code 5705.36 which requires the fiscal officer to request an amended certificate when a deficiency of actual receipts reduces estimated resources below the current level of appropriations.

5. RETIREMENT SYSTEM

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

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 10.0% in 2010 and 2011 of their gross pay while the Village contributed an amount equal to 14.00% in 2010 and 2011 of covered payroll. The Village paid all required contributions through 2011.

6. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village has obtained commercial insurance for the following risks:

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

There have been no significant reductions in insurance coverage from the prior fiscal years and settled claims have not exceeded this commercial coverage in any of the last three years. The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

VILLAGE OF QUINCY
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

7. DEBT

Debt outstanding at December 31, 2011 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan – Water Tower	\$85,168	6.85%
Ohio Public Works Commission – Water Main	32,516	0.00%
Ohio Water Development Authority Loan – Sewer Construction	1,362,618	1.50%
Ohio Water Development Authority Loan – WTP Imp Design	21,948	0.00%
Citizen’s Bank – Bobcat	7,730	4.66%
USDA-Fire Department Addition	83,000	4.25%
Total	\$ 1,592,980	

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.

Ohio Water Development Authority (OWDA) Sewer Construction loan relates to expansion of the Village’s jointly owned sewer plant. The loan will be paid in semi-annual installments at 1.50 percent interest. This is paid from the Sewer Fund and matures during 2034.

The Citizen’s Bank loan was obtained to purchase a Bobcat skid loader. The loan will be paid in semi-annual installments of \$4,417 at 4.66 percent interest, with final payment in 2012.

Ohio Water Development Authority (OWDA) Water Tower Planning Improvements Design loan relates to planning and design for future water tower improvements. In April 2008 the loan was approved for \$49,271. First payment was July 1, 2010 with final payment January 1, 2015. Semi-annual payments are \$4,927, with no interest.

VILLAGE OF QUINCY
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

7. DEBT (Continued)

The following is a summary of the Village's future annual debt service requirements:

Year	OWDA Water Tower Loans		OWDA WTP	USDA	
	Principal	Interest	Principal	Principal	Interest
2012	\$11,952	\$5,834	\$9,854	\$3,000	\$3,528
2013	12,770	5,016	9,854	3,000	3,400
2014	13,644	4,140	2,240	3,000	3,272
2015	14,580	3,206	-	3,000	3,145
2016	15,578	2,208	-	3,000	3,018
2017-2021	16,644	1,140	-	15,000	13,175
2022-2026	-	-	-	15,000	9,989
2027-2031	-	-	-	15,000	6,800
2032-2036	-	-	-	15,000	3,613
2037-2040	-	-	-	8,000	850
Totals	<u>\$85,168</u>	<u>\$21,544</u>	<u>\$21,948</u>	<u>\$83,000</u>	<u>\$50,790</u>

Year	OPWC Water Main	OWDA Sewer Loan		Citizens' Bank Bobcat	
	Principal	Principal	Interest	Principal	Interest
2012	\$5,912	\$52,705	\$20,243	\$7,730	\$258
2013	5,912	53,498	19,448	-	-
2014	5,912	54,305	18,643	-	-
2015	5,912	55,122	17,826	-	-
2016	5,912	55,951	16,995	-	-
2017-2021	8,868	292,651	72,087	-	-
2022-2026	-	315,358	49,381	-	-
2027-2031	-	339,824	24,915	-	-
2032-2034	-	143,204	2,696	-	-
Totals	<u>\$32,516</u>	<u>\$1,362,618</u>	<u>\$242,234</u>	<u>\$7,730</u>	<u>\$258</u>

VILLAGE OF QUINCY
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

8. JOINT VENTURE

Quincy-DeGraff WWTP Facility:

The Village of Quincy and the Village of DeGraff jointly own and operate a waste water treatment facility. Both communities share in all costs of improvements and operations and both include their share of these costs in their budget and annual appropriations. Both communities agree to adjust and collect sewer revenues sufficient to cover their financial responsibility.

The Village of Quincy obtained financing through OWDA for an EPA mandated upgrade to the Waste Water Treatment Plant. The total cost of the project was estimated at \$3,000,000, less grants left a balance of approximately \$1,600,000 to be financed. The approximate share of total cost to be paid by each entity is determined yearly by the actual flow from each community (which is measurable) into the plant. On July 1st of each year, the percentage of cost ratio is reviewed and adjusted based on actual flow for the previous year, and the newly established rates take effect on January 1st of the following year.

For 2011 and 2010, approximately 32.5 and 27.5 percent of total costs are the responsibility the Village of Quincy. The Village of DeGraff remits the remaining 67.5 and 72.5 percent of the semi- annual payment for its share of the debt payment directly to OWDA. These payments are recorded in the Enterprise Fund as non operating miscellaneous receipts. For 2011 and 2010 the Village of DeGraff paid \$46,728 and \$52,888, respectively.

As noted in Note 7, the balance on the OWDA loan is \$1,362,618.

9. INCOME TAX

The Village levies an income tax of 1.00 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) which administers the tax for the Village. RITA remits payments to the Village monthly for taxes collected less administrative fees.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 22, 2012, the date on which the financial statements were available for issue. The review did not reveal any subsequent events which would warrant inclusion here.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Village of Quincy
Logan County
115 North Main Street
Quincy, Ohio 43343

To the Village Council:

We have audited the financial statements of the Village of Quincy, Logan County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 22, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and wherein we noted the Village implemented GASB Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-QUIN-01 described in the accompanying Schedule of Findings to be a material weakness.

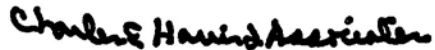
Compliance and Other Matter

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 grant 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 we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as findings 2011-QUIN-01 and 02.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and accordingly, we express no opinion on them.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 22, 2012.

We intend this report solely for the information and use of management, the finance committee, members of the Village Council, and others within the Village. We intend it for no one other than these specified parties.



Charles E. Harris and Associates, Inc.

June 22, 2012

**VILLAGE OF QUINCY
LOGAN COUNTY
Schedule of Findings
December 31, 2011 and 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

Finding Number 2010-QUIN-01 - Noncompliance Citation/Material Weakness

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Although the Village utilizes the UAN system provided by the Auditor of State to record transactions and prepare cash basis financial statements, the Village does not have a process to review the output for errors. Accordingly, the financial statements contained numerous errors and misstatements.

We noted the following errors during 2011 and 2010:

- Loan proceeds of \$86,000 were classified as intergovernmental receipts in 2010 and 2011.
- Loan proceeds of \$127,000 were classified as intergovernmental receipts and special assessments in 2010.
- Charges for services of \$12,874 were recorded as advances 2011.
- Debt service expenditures of \$46,728 in 2011 and \$52,888 in 2010 which were made by the Village of Degraff were not recorded.
- Debt service expenditures of \$192,341 and \$96,421 were recorded as capital outlays in 2011 and 2010, respectively.

The financial statements have been adjusted to properly reflect these transactions.

We recommend the Village implement additional internal control procedures to ensure the accuracy and completeness of transactions and the annual financial reports. The internal control procedures can include additional review of financial statements, revenue ledgers, and expenditures ledgers by an outside party and/or using analytical reviews for comparison of current year to prior year numbers.

Management Response:

The fiscal officer will continue to review Village accounting procedures and make changes as needed.

**VILLAGE OF QUINCY
LOGAN COUNTY
Schedule of Findings
December 31, 2011 and 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2011-QUIN-02 - Noncompliance Citation

Ohio Revised Code Section 5705.36(A)(3) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer’s certification is reasonable, the commission shall certify an amended official certificate reflecting the excess.

5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The following funds had actual revenues which were (less) than budgeted revenues at December 31 and the amount of the deficiency reduced available resources below the level of current appropriations:

Fund	2010
Enterprise-Sewer Fund	\$(30,845)
Enterprise-Debt	(77,623)

By not amending its certificate of estimated resources, the Village cannot make reasonable decisions regarding the monies it has available for appropriation and expenditure. The Village Council should monitor its budgeted revenues versus its actual revenues throughout the year and amend its certificate of estimated resources accordingly.

Management Response:

The Village has made improvements to its monitoring of budgetary compliance and the finding was corrected in 2011.

VILLAGE OF QUINCY
 LOGAN COUNTY, OHIO
 For the Years Ended December 31, 2011 and 2010

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-01	ORC 5705.41(D); Failure to certify expenditures	Yes	
2009-02	Material Weakness: Transactions not recorded	No	Combined & Repeated as 2011- QUIN-01
2009-03	Material Weakness: Payroll not properly recorded/reported	Yes	
2009-04	Noncompliance ORC 5705.36; Estimated resources not amended	No	Repeated as 2011- QUIN-02
2009-05	Material Weakness; Transactions not properly recorded	No	Repeated as 2011- QUIN-01



Dave Yost • 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
NOVEMBER 15, 2012