

VILLAGE OF QUINCY

DAYTON REGION, LOGAN COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Village of Quincy, Logan County, prepared by Manning & Associates, CPAs LLC, for the audit period January 1, 2004 through December 31, 2005. 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 5, 2007

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**VILLAGE OF QUINCY
LOGAN COUNTY**

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

REPORT OF INDEPENDENT ACCOUNTANTS

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, 2005 and 2004. 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, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its large (i.e. major) funds separately for 2005 and 2004. 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, 2005 and 2004 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, 2005 and 2004 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, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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, 2005 and 2004. 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 October 13, 2006, 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

October 13, 2006

**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, 2005

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Local Taxes	\$ 41,026	\$ 30,734	\$ 71,760
Intergovernmental Revenues	42,916	29,353	72,269
Charges for Services	4,250	0	4,250
Fines, Licenses and Permits	587	0	587
Earnings on Investments	8,723	0	8,723
Miscellaneous	9,796	2,545	12,341
	<u>107,298</u>	<u>62,632</u>	<u>169,930</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	\$ 31,896	294	\$ 32,190
Leisure Time Activities	20,542	0	20,542
Transportation	168	32,267	32,435
General Government	53,584	0	53,584
Debt Service: Principal	1,376	7,376	8,752
Interest	405	3,741	4,146
Capital Outlay	1,430	610	2,040
	<u>109,401</u>	<u>44,288</u>	<u>153,689</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(2,103)</u>	<u>18,344</u>	<u>16,241</u>
Fund Cash Balances, January 1, 2005	<u>76,401</u>	<u>120,733</u>	<u>197,134</u>
Fund Cash Balances, December 31, 2005	<u>\$ 74,298</u>	<u>\$ 139,077</u>	<u>\$ 213,375</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, 2005

	Proprietary Funds Types
	Enterprise
Operating Cash Revenues:	
Charges for Services	\$ 165,066
 Total Operating Cash Receipts	165,066
Operating Cash Disbursements:	
Personal Service	\$ 25,202
Employee Fringe Benefits	9,292
Contractual Services	29,888
Supplies and Materials	44,268
Other	365
 Total Operating Cash Disbursements	109,015
 Operating Income/ (Loss)	56,051
Non-Operating Cash Receipts/(Expenses):	
Debt Service:	
Redemption of Principal	(85,848)
Interest Expense	(40,760)
Miscellaneous Receipts	54,240
Capital Outlay	(19,334)
 Total Non-Operating Cash Receipts/(Expenses)	(91,702)
 Net Revenues Over/(Under) Expenses	(35,651)
 Fund Cash Balances, January 1, 2005	263,807
 Fund Cash Balances, December 31, 2005	\$ 228,156

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, 2004

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Local Taxes	\$ 40,908	31,395	\$ 72,303
Intergovernmental Revenues	42,832	26,045	68,877
Charges for Services	4,900	0	4,900
Fines, Licenses and Permits	322	0	322
Earnings on Investments	4,935	0	4,935
Miscellaneous	3,970	0	3,970
Total Cash Receipts	97,867	57,440	155,307
Cash Disbursements:			
Current:			
Security of Persons and Property	\$ 30,648	181	\$ 30,829
Leisure Time Activities	20,107	0	20,107
Transportation	0	29,015	29,015
General Government	58,856	0	58,856
Debt Service: Redemption of Principal	0	6,000	6,000
Interest Charges	1,885	1,885	3,770
Capital Outlay	41,893	13,310	55,203
Total Cash Disbursements	153,389	50,391	203,780
Total Receipts Over/(Under) Disbursements	(55,522)	7,049	(48,473)
Other Financing Sources/(Uses):			
Sale of Notes	27,524	0	27,524
Total Other Financing Receipts (Disbursements)	27,524	0	27,524
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(27,998)	7,049	(20,949)
Fund Cash Balances, January 1, 2004	104,399	113,684	218,083
Fund Cash Balances, December 31, 2004	\$ 76,401	\$ 120,733	\$ 197,134

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, 2004

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ <u>174,409</u>
Total Operating Cash Receipts	<u>174,409</u>
Operating Cash Disbursements:	
Personal Service	\$ 29,258
Travel Transportation	9,006
Contractual Services	26,426
Supplies and Materials	44,397
Other	83
Capital Outlay	<u>658,259</u>
Total Operating Cash Disbursements	<u>767,429</u>
Operating Income/ (Loss)	<u>(593,020)</u>
Non-Operating Cash Disbursements:	
Other Debt Proceeds	644,174
Miscellaneous Receipts	55,323
Redemption of Principal	(75,516)
Interest and Other Fiscal Charges	<u>(48,392)</u>
Total Non-Operating Cash Disbursements	<u>575,589</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(17,431)
Transfers-In	42
Transfers-Out	<u>(42)</u>
Net Revenues Over/(Under) Expenses	(17,431)
Fund Cash Balances, January 1, 2004	<u>281,238</u>
Fund Cash Balances, December 31, 2004	<u><u>\$ 263,807</u></u>

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, 2005 AND 2004

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, 2005 AND 2004

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, 2005 AND 2004

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 2005 and 2004 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>2005</u>	<u>2004</u>
Demand Deposits	\$ 253,490	\$ 279,088
Certificates of Deposit	<u>188,041</u>	<u>181,853</u>
Total Deposits	<u><u>441,531</u></u>	<u><u>460,941</u></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, 2005 AND 2004**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 as follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 101,475	\$ 107,298	\$ 5,823
Special Revenue	56,800	62,632	5,832
Enterprise Funds	179,500	219,306	39,806
Total	<u>\$ 337,775</u>	<u>\$ 389,236</u>	<u>\$ 51,461</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 177,737	\$ 109,401	\$ 68,336
Special Revenue	177,534	44,288	133,246
Enterprise Funds	427,672	254,957	172,715
Total	<u>\$ 782,943</u>	<u>\$ 408,646</u>	<u>\$ 374,297</u>

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 95,000	\$ 125,391	\$ 30,391
Special Revenue	56,100	57,440	1,340
Enterprise Funds	1,237,647	873,948	(363,699)
Total	<u>\$ 1,388,747</u>	<u>\$ 1,056,779</u>	<u>\$ (331,968)</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 189,399	\$ 153,389	\$ 36,010
Special Revenue	166,284	50,391	115,893
Enterprise Funds	1,518,884	891,379	627,505
Total	<u>\$ 1,874,567</u>	<u>\$ 1,095,159</u>	<u>\$ 779,408</u>

**VILLAGE OF QUINCY
LOGAN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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, 2005 was as follows:

	Principal	Interest
GMAC Commercial Mortgage Loan	\$ 131,000	5.0%
Ohio Water Development Authority Loan – Water Tower	142,399	6.85%
Ohio Public Works Commission – Water Main	67,988	0.0%
Fire Safety Bonds	40,000	7.25%
Ohio Water Development Authority Loan – Well Head	4,000	0.0%
Ohio Water Development Authority Loan – Sewer Construction	1,662,830	1.5%
Miami Valley Bank – Utility Truck	22,019	4.5%
Total	<u>\$2,070,236</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.

Ohio Water Development Authority (OWDA) Well Head loan relates to the water system improvements project completed in 1997 by the Village. The loan will be paid in semi-annual installments based on a predetermined amortization schedule. This is paid from the Enterprise Fund and matures during 2008.

**VILLAGE OF QUINCY
LOGAN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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 based on a predetermined amortization schedule. This is paid from the Sewer Fund and matures during 2034.

Miami Valley Bank loan was for the purchase of a utility truck. The loan will be paid in installments of \$5,505 principal annually. This loan matures October 2009.

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 Wellhead	OWDA Loan Sewer	Miami Valley Bank Truck
2006	\$ 0	\$ 8,896	\$ 2,956	\$ 9,900	\$ 2,000	\$ 36,474	\$ 6,744
2007	24,550	17,785	5,912	9,392	2,000	72,948	6,496
2008	24,650	17,785	5,912	9,885	0	72,948	6,248
2009	24,700	17,785	5,912	10,305	0	72,947	6,000
2010	24,700	17,785	5,912	9,653	0	72,948	5,753
2011 – 2015	58,050	88,925	29,560	0	0	364,738	0
2016 – 2020	0	44,461	11,824	0	0	364,738	0
2021 – 2025	0	0	0	0	0	364,738	0
2026 – 2030	0	0	0	0	0	364,738	0
2031 – 2035	0	0	0	0	0	255,316	0
Total	<u>\$ 156,650</u>	<u>\$ 213,422</u>	<u>\$ 67,988</u>	<u>\$ 49,135</u>	<u>\$ 4,000</u>	<u>\$ 2,042,533</u>	<u>\$ 31,241</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 2005 and 2004, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

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.

**VILLAGE OF QUINCY
LOGAN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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, 2004. 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.

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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 the Village of Quincy, Logan County (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 13, 2006, 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. We conducted our audits 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2005-001 through 2005-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses. In a separate letter to the Village's management dated October 13, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

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 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. In a separate letter to the Village's management dated October 13, 2006, we reported other matters related to noncompliance we deemed immaterial.

This report is intended for the information and use of the audit committee, management and Council, and is not intended to be and should not be used by anyone other than these specified parties.

Manning & Associates CPAs, LLC
Dayton, Ohio

October 13, 2006

VILLAGE OF QUINCY
LOGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 and 2004

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

FINDING NUMBER 2005-001

Reportable Condition

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 payments made on behalf of the Village for the water sewer project. 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.

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 2005-002

Reportable Condition

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 2004 and 2005.

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 will strengthen the monitoring of the reports to Council and evidence this by signatures or initials on the reports themselves.

**VILLAGE OF QUINCY
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2003-001	Accuracy and completeness of financial reporting	Partially Corrected	Repeated 2005-001
2003-002	Monitoring financial activity	Not Corrected	Repeated 2005-002



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
MARCH 20, 2007