

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020



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Members of Council
Village of Quaker City
P.O. Box 156
Quaker City, Ohio 43773

We have reviewed the *Independent Auditor's Report* of the Village of Quaker City, Guernsey County, prepared by Gueye & Associates, CPA, for the audit period January 1, 2020 through December 31, 2021. 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.

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 Quaker City is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 12, 2022

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VILLAGE OF QUAKER CITY
GUERNSEY COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Quaker City
Guernsey County
P.O. Box 156
Quaker City, Ohio 43773

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Quaker City, Guernsey County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type combined total as of and for the years ended December 31, 2021, and December 31, 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type combined total as of and for the years ended December 31, 2021 and December 31, 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2021, and December 31, 2020, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the financial statements are prepared by Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

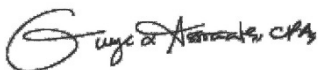
In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2022, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Columbus, Ohio
August 1, 2022

Village of Quaker City, Ohio
Guernsey County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 24,443	\$ 14,514	\$ -	\$ -	\$ 38,957
Intergovernmental	20,003	65,566	-	-	85,569
Charges for Services	180	35,058	-	-	35,238
Earnings on Investments	2,837	85	-	-	2,922
Miscellaneous	11,128	12,472	16,922	-	40,522
<i>Total Cash Receipts</i>	<u>58,591</u>	<u>127,695</u>	<u>16,922</u>	<u>-</u>	<u>203,208</u>
Cash Disbursements					
Current:					
Security of Persons and Property	6,063	41,485	-	-	47,548
Public Health Services	6,525	-	-	-	6,525
Leisure Time Activities	4,325	-	-	-	4,325
Transportation	-	14,198	-	-	14,198
General Government	26,093	842	-	-	26,935
Capital Outlay	2,921	11,669	-	-	14,590
Debt Service:					
Principal Retirement	-	-	17,218	-	17,218
Interest and Fiscal Charges	-	-	2,122	-	2,122
<i>Total Cash Disbursements</i>	<u>45,927</u>	<u>68,194</u>	<u>19,340</u>	<u>-</u>	<u>133,461</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>12,664</u>	<u>59,501</u>	<u>(2,418)</u>	<u>-</u>	<u>69,747</u>
Non-Operating Receipts (Disbursements)					
Transfers In	-	-	29,047	-	29,047
Transfers Out	(13,054)	(4,927)	-	-	(17,981)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(13,054)</u>	<u>(4,927)</u>	<u>29,047</u>	<u>-</u>	<u>11,066</u>
<i>Net Change in Fund Cash Balances</i>	(390)	54,574	26,629	-	80,813
<i>Fund Cash Balances, January 1</i>	<u>317,142</u>	<u>68,340</u>	<u>3,271</u>	<u>35</u>	<u>388,788</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 316,752</u>	<u>\$ 122,914</u>	<u>\$ 29,900</u>	<u>\$ 35</u>	<u>\$ 469,601</u>

See accompanying notes to the basic financial statements

Village of Quaker City, Ohio
Guernsey County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2021

	Proprietary Funds Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 360,165
<i>Total Operating Cash Receipts</i>	360,165
Operating Cash Disbursements	
Personal Services	81,868
Employee Fringe Benefits	19,516
Contractual Services	94,661
Supplies and Materials	84,364
Other	2,756
<i>Total Operating Cash Disbursements</i>	283,165
<i>Operating Income (Loss)</i>	77,000
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	4,570
Intergovernmental Receipts	390
Miscellaneous Receipts	896
Capital Outlay	(7,624)
Principal Retirement	(57,551)
Interest and Other Fiscal Charges	(17,129)
Other Financing Sources	389
Other Financing Uses	-
Transfers In	45,093
Transfers Out	(56,159)
<i>Total Non-Operating Receipts (Disbursements)</i>	(87,125)
<i>Net Change in Fund Cash Balances</i>	(10,125)
<i>Fund Cash Balances, January 1</i>	313,198
<i>Fund Cash Balances, December 31</i>	\$ 303,073

See accompanying notes to the basic financial statements

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 - Reporting Entity

The Village of Quaker City (the Village), Guernsey County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly – elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, street maintenance, fire protection services and ambulance services. The Village contracts with the Guernsey County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

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

Note 2 –Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report proceeds from specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund This fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance and repair of streets within the Village.

Fire Fund This fund is used to account for tax levy monies to provide fire protection through a volunteer fire department.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

City Truck Loan Fund This fund receives gasoline tax and motor vehicle license tax money loan with Peoples Bank for the purchase of a truck.

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village's Capital Project Fund had no receipt or disbursement activity for the year ending December 31, 2021.

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provisions of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The board recognizes receipts when received in cash rather than when earned and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

Budgetary process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The county budget commission must approve estimated resources.

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

A summary of 2021 budgetary activity appears in Note 4.

Deposits

The Village maintains interest bearing checking accounts and certificates of deposit. The Village values certificates of deposit at cost.

Capital Assets

The Village records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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. The classifications are as follows:

Non-spendable: The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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.

Committed: 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.

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 Village Council or a Village official delegated that authority by resolution, or by State Statute.

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 purpose 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.

Note 3 – Compliance

Contrary to the Ohio Revised Code §5705.36, several funds had appropriations in excess of actual resources.

Contrary to the Ohio Revised Code §5705.39, several funds had appropriations in excess of estimated resources.

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,268	\$58,591	\$8,323
Special Revenue	107,900	127,695	19,795
Debt Service	18,711	45,969	27,258
Enterprise	430,298	411,503	(18,795)
Total	\$607,177	\$643,758	\$36,581

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$285,777	\$59,981	\$225,796
Special Revenue	181,502	73,121	108,381
Debt Service	21,981	19,340	2,641
Capital Projects	35	0	35
Enterprise	766,124	421,628	344,496
Total	\$1,255,419	\$574,070	\$681,349

Note 5 – Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2021
Demand deposits	\$730,147
Certificates of deposit	42,527
Total deposits	772,674

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deductions amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. The second half payment is due the following June 20.

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

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 7 - Risk management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- Flood insurance;
- Bonding; and
- Public Officials Liability

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's full-time employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants gross salaries. The Village has paid all contributions required through December 31, 2021.

Social Security

The elected officials who are not members of OPERS contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of employee's gross salaries. The Village has paid all contributions required through December 31, 2021.

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021.

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 10 - Debt

Debt Outstanding at December 31, 2021 as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Peoples Bank - Skid Loan	\$44,208	2.97%
Sewer System Improvement Revenue Bonds, Series 2017	\$868,199	Varies
OPWC CT55F	30,786	0.00%
OPWC CT45S	458,333	0.00%
Peoples Bank - Truck Loan	11,444	3.56%
Total	<u>\$1,412,970</u>	

The Ohio Public Works Commission (OPWC) loans were used for a water improvement project and a water distribution project. All loans are collateralized by water receipts. The Village has agreed to set rates sufficient to cover OPWC debt service requirements.

In 2018, the Village issued a promissory note in the amount of \$34,065 from Peoples Bank to purchase a truck. This loan will be paid in monthly installments of \$621 over 5 years with an interest rate of 3.56%.

In 2020, the Village issued a promissory note in the amount of \$54,517 from Peoples Bank to purchase a skid truck. The loan will be paid in monthly installments of \$721 over seven years with an interest rate of 2.97%.

The Sewer System Improvement Revenue Bonds, Series 2017, in the amount of \$901,000 were for the construction of a new sewer plant. The Village has agreed to set utility rates sufficient to cover the bonds.

Amortization

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

Year Ending December 31:	Skid Truck Loan	Sewer System Improvement Revenue Bonds	OPWC Loans	Truck Loan
2022	\$8,648	33,708	\$21,065	\$7,458
2023	8,648	33,782	25,463	4,334
2024	8,648	33,647	25,463	0
2025	8,648	33,809	25,463	0
2026	8,648	33,761	16,667	0
2027-2031	5,443	168,470	83,335	0
2032-2036	0	168,450	83,335	0
2037-2041	0	168,543	83,333	0
2042-2046	0	168,659	83,330	0
2047-2051	0	168,581	41,665	0
2052-2056	0	168,599	0	0
2057-2061	0	33,640	0	0
Total	<u>\$48,683</u>	<u>\$1,213,649</u>	<u>\$489,119</u>	<u>\$11,792</u>

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by grantor, principally the federal government. The grantor may require funding and disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any funds would be immaterial.

Note 12 – COVID 19

The United States and the State of Ohio declared a state of emergency in March of 2021 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Village of Quaker City, Ohio
Guernsey County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 23,982	\$ 11,834	\$ -	\$ -	\$ 35,816
Intergovernmental	18,938	33,919	-	-	52,857
Special Assessment	251	-	-	-	251
Charges for Services	215	30,153	-	-	30,368
Earnings on Investments	363	42	-	-	405
Miscellaneous	22,469	3,523	-	-	25,992
<i>Total Cash Receipts</i>	<u>66,218</u>	<u>79,471</u>	<u>-</u>	<u>-</u>	<u>145,689</u>
Cash Disbursements					
Current:					
Security of Persons and Property	7,140	35,281	-	-	42,421
Public Health Services	6	-	-	-	6
Leisure Time Activities	8,572	-	-	-	8,572
Transportation	-	20,505	-	-	20,505
General Government	39,163	5,027	-	-	44,190
Capital Outlay	69,167	32,562	-	-	101,729
Debt Service:					
Principal Retirement	-	-	9,436	-	9,436
Interest and Fiscal Charges	-	-	888	-	888
<i>Total Cash Disbursements</i>	<u>124,048</u>	<u>93,375</u>	<u>10,324</u>	<u>-</u>	<u>227,747</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(57,830)</u>	<u>(13,904)</u>	<u>(10,324)</u>	<u>-</u>	<u>(82,058)</u>
Non-Operating Receipts (Disbursements)					
Other Debt Proceeds	54,517	-	-	-	54,517
Transfers In	-	-	7,422	-	7,422
Transfers Out	(462)	-	-	-	(462)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>54,055</u>	<u>-</u>	<u>7,422</u>	<u>-</u>	<u>61,477</u>
<i>Net Change in Fund Cash Balances</i>	<u>(3,775)</u>	<u>(13,904)</u>	<u>(2,902)</u>	<u>-</u>	<u>(20,581)</u>
<i>Fund Cash Balances, January 1</i>	<u>320,917</u>	<u>82,244</u>	<u>6,173</u>	<u>35</u>	<u>409,369</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 317,142</u>	<u>\$ 68,340</u>	<u>\$ 3,271</u>	<u>\$ 35</u>	<u>\$ 388,788</u>

See accompanying notes to the basic financial statements

Village of Quaker City, Ohio
Guernsey County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2020

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 348,098
<i>Total Operating Cash Receipts</i>	348,098
Operating Cash Disbursements	
Personal Services	83,574
Employee Fringe Benefits	16,930
Contractual Services	116,519
Supplies and Materials	93,563
<i>Total Operating Cash Disbursements</i>	310,586
<i>Operating Income (Loss)</i>	37,512
Non-Operating Receipts (Disbursements)	
Other Non-Operating Cash Receipts	
Property and Other Local Taxes	4,478
Intergovernmental	120,691
Miscellaneous Receipts	30,000
Capital Outlay	(113,813)
Principal Retirement	(16,200)
Interest and Other Fiscal Charges	(17,443)
Transfers In	103,123
Transfers Out	(110,083)
<i>Total Non-Operating Receipts (Disbursements)</i>	753
<i>Net Change in Fund Cash Balances</i>	38,265
<i>Fund Cash Balances, January 1</i>	274,933
<i>Fund Cash Balances, December 31</i>	\$ 313,198

See accompanying notes to the basic financial statements

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 - Reporting Entity

The Village of Quaker City (the Village), Guernsey County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly – elected six member Council directs the Village. The Village provides water and sewer utilities, park operations, street maintenance, fire protection services and ambulance services. The Village contracts with the Guernsey County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

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

Note 2 –Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report proceeds from specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund This fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance and repair of streets within the Village.

Fire Fund This fund is used to account for tax levy monies to provide fire protection through a volunteer fire department.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

City Truck Loan Fund This fund receives gasoline tax and motor vehicle license tax money to retire a loan with Peoples Bank for the purchase of a truck.

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village's Capital Project Fund had no receipt or disbursement activity for the year ending December 31, 2020.

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provisions of sanitary sewer services to the residents and commercial users within the Village.

Sewer Construction Account Fund The sewer construction account fund accounts for loan and grant proceeds from the United States Department of Agriculture (USDA) and grant proceeds from the Appalachian Regional Commission (ARC) and the Community Development Block Grant (CDBG) restricted to the wastewater treatment plant project.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The board recognizes receipts when received in cash rather than when earned and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

Budgetary process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The county budget commission must approve estimated resources.

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

A summary of 2020 budgetary activity appears in Note 4.

Deposits

The Village maintains interest bearing checking accounts and certificates of deposit. The Village values certificates of deposit at cost.

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Capital Assets

The Village records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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. The classifications are as follows:

Non-spendable: The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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.

Committed: 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.

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 Village Council or a Village official delegated that authority by resolution, or by State Statute.

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 purpose 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.

Note 3 – Compliance

Contrary to the Ohio Revised Code §5705.36, several funds had appropriations in excess of actual resources.

Contrary to the Ohio Revised Code §5705.39, several funds had appropriations in excess of estimated resources.

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,978	\$120,735	\$68,757
Special Revenue	74,204	79,471	5,267
Debt Service	10,045	7,422	(2,623)
Enterprise	700,030	606,390	(93,640)
Total	\$836,257	\$814,018	(\$22,239)

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$333,725	\$124,510	\$209,215
Special Revenue	156,448	93,375	63,073
Debt Service	16,217	10,324	5,893
Capital Projects	35	0	35
Enterprise	967,163	568,125	399,038
Total	\$1,473,588	\$796,334	\$677,254

Note 5 – Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2020
Demand deposits	\$659,693
Certificates of deposit	42,293
Total deposits	701,986

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deductions amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. The second half payment is due the following June 20.

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

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 7 - Risk management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- Flood insurance;
- Bonding; and
- Public Officials Liability

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's full-time employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants gross salaries. The Village has paid all contributions required through December 31, 2020.

Social Security

The elected officials who are not members of OPERS contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of employee's gross salaries. The Village has paid all contributions required through December 31, 2020.

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020.

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 10 - Debt

Debt Outstanding at December 31, 2020 as follows:

	<u>Principal</u>	<u>Interest Rate</u>
People's Bank - Skid Loan	\$54,517	2.97%
Sewer System Improvement Revenue Bonds, Series 2017	\$884,800	Varies
OPWC CT55F	43,980	0.00%
OPWC CT43C	2,757	0.00%
OPWC CT45S	483,333	0.00%
Peoples Bank - Truck Loan	18,352	3.56%
Total	<u>\$1,487,739</u>	

The Ohio Public Works Commission (OPWC) loans were used for a water improvement project and a water distribution project. All loans are collateralized by water receipts. The Village has agreed to set rates sufficient to cover OPWC debt service requirements. The prior year balance for OPWC loan # CT43C was understated by \$1,378 (See note 13).

In 2018, the Village issued a promissory note in the amount of \$34,065 from Peoples Bank to purchase a truck. This loan will be paid in monthly installments of \$621 over 5 years with an interest rate of 3.56%.

In 2020, the Village issued a promissory note in the amount of \$54,517 from Peoples Bank to purchase a skid truck. The loan will be paid in monthly installments of \$721 over seven years with an interest rate of 2.97%.

The Sewer System Improvement Revenue Bonds, Series 2017, in the amount of \$901,000 were for the construction of a new sewer plant. The Village has agreed to set utility rates sufficient to cover the bonds.

Amortization

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

Year Ending December 31:	Skid Truck Loan	Sewer System Improvement Revenue Bonds	OPWC Loans	Truck Loan
2021	\$8,648	\$33,729	\$28,220	\$7,458
2022	8,648	33,708	25,463	7,458
2023	8,648	33,782	25,463	4,334
2024	8,648	33,647	25,463	0
2025	8,648	33,809	16,667	
2026-2030	17,157	168,470	83,335	
2031-2035		168,450	83,335	
2036-2040		168,543	83,333	
2041-2045		168,659	83,330	
2046-2050		168,581	75,461	
2051-2055		168,599		
20567-2060		67,401		
Total	<u>\$60,397</u>	<u>\$1,247,378</u>	<u>\$530,070</u>	<u>\$19,250</u>

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by grantor, principally the federal government. The grantor may require funding and disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any funds would be immaterial.

Note 12 – COVID 19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. During 2020, the Village did not receive COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 13 – Correction of Prior Year Balance

In the prior year, an OPWC debt balance outstanding at the end of the year was understated. This understatement did not have any effect of the Village's fund balances. Outstanding debt balances at the beginning of year were corrected as follows:

	Original Principal Outstanding at December 31, 2019	Corrected Principal Outstanding December 31, 2019
Citizens National Bank - Tractor Loan	\$2,758	\$2,758
Sewer System Improvement Revenue Bonds, Series 2017	\$901,000	\$901,000
OPWC CT55F	43,980	43,980
OPWC CT43C	1,379	2,757
OPWC CT45S	483,333	483,333
Peoples Bank - Truck Loan	25,030	25,030
Total	<u>\$1,457,480</u>	<u>\$1,458,858</u>



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

Village of Quaker City
Guernsey County
P.O. Box 156
Quaker City, Ohio 43773

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental and the proprietary fund type combined total as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of the Village of Quaker City, Guernsey County (the Village) and have issued our report thereon dated August 1, 2022, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items Nos. 2021-001, 2021-002, 2021-003, 2021-004, and 2021-005, that we consider to be material weaknesses.

Report on Compliance and Other Matters

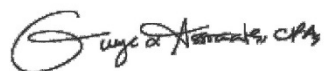
As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items Nos. 2021-004, and 2021-005.

Village's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village's responses to the findings identified in our audit and described in the accompanying schedule of findings. The Village's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



Columbus, Ohio
August 1, 2022

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020**

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

FINDING NUMBER 2021-001

Material Weakness – Material adjustments and misclassifications

In our audit engagement letter, as required by AU-C Section 210, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs. A14 & A16.

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.

The Ohio Village Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Village with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

The Village did not properly post all receipts and expenditures. Amounts were not always posted to the correct fund and/or line item. The following errors were noted:

We noted the following in 2021:

- Gas tax monies received from the State in the amount of \$965 were receipted in the City Truck Loan fund as proceeds from notes and intergovernmental revenues, instead of intergovernmental revenues in the Street Construction, Maintenance and Repair fund.
- Principal payments of \$13,162, \$3,967, \$2,756, and \$22 were overstated for the OWDA Sewer Plan Design Loan, OWDA Loan # 2, Salesville Water Loan, and City Truck Loan funds.
- A total of \$884, \$884, and \$884 in principal and interest for the Tractor Loan fund were incorrectly recorded as capital outlay in the General, Street Construction Maintenance and Repair, and the Water Operating funds, respectively.

We noted the following in 2020:

- Principal payments of \$13,400, \$100, and \$230, were overstated for the OWDA Sewer Plan Design Loan, Tractor Loan, City Truck Loan funds.
- A total of \$961 was recorded as Capital Outlay for the State Highway fund instead of principal payment for the Street Paving fund.
- A total of \$18,060, \$18,060, and \$18,060 were incorrectly recorded as Other Financing Sources for the General fund, Miscellaneous Revenues for the Motor Vehicle License fund, and Other Financing Sources for the Water Operating fund, respectively, instead of Proceeds from debt note in the General Fund.
- Gas tax monies received from the State in the amount of \$1,740 were receipted in the City Truck Loan fund as proceeds from notes, instead of intergovernmental revenues in the Street Construction, Maintenance and Repair fund.

VILLAGE OF QUAKER CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020
(Continued)

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

FINDING NUMBER 2021-001
(Continued)

Material Weakness – Material adjustments and misclassifications (Continued)

- A total of \$107,913 received from the USDA were recorded as Other Financing Sources in the Sewer Construction Account fund instead of intergovernmental revenues.
- A total of \$12,368 was recorded as capital contributions in the OWDA Loan # 2, in lieu of intergovernmental revenues.
- A total of \$107,913 in expenditures were recorded as Other Financing Uses in lieu of Capital Outlay in the Sewer Construction Account fund.

Audit adjustments, which were agreed by management, are reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials' Response: Management will review fund and account classifications more closely.

FINDING NUMBER 2021-002

Material Weakness: Bank Reconciliations

In our audit engagement letter, as required by AU-C Section 210, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs. A14 & A16.

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection. The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Village Council is responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were prepared and reviewed each month of the audit period January 1, 2020, through December 31, 2021. Each monthly reconciliation contained "Other Adjusting Factors" that could not be supported with available documentation.

VILLAGE OF QUAKER CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020
(Continued)

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

FINDING NUMBER 2021-002 (Continued)

Material Weakness: Bank Reconciliations (Continued)

Failure to properly reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

Some of the more significant issues we encountered during the review of the bank reconciliations were:

- The outstanding checklist was not complete or accurate. The outstanding checklist contained non-valid checks as outstanding, outstanding checks on the checklist that cleared the bank and were not cleared from the outstanding checklist, and over fifteen outstanding checks on the checklist that were five years old.
- "Other Adjusting Factors" used as reconciling item but no documentation to support amount.
- As a result, reconciled bank balances differed from the book balances by \$6,344 in 2020 and (\$2,645) in 2021.
- Village Council approved the bank reconciliations at each monthly board meeting but never questioned any of the reconciling items or support for the reconciling items.

Audit adjustments, which were agreed by management, are reflected in the financial statements and in the accounting, records correcting the misstatement

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. Any reconciling item that is part of the monthly bank reconciliation should have documentation to support the reconciling item that is part of the monthly bank reconciliation. In addition, the Village Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews

Officials' Response: Management will review the internal control procedures over the bank reconciliation and make the necessary changes in internal control.

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2021-003

Material Weakness – Control Environment and Monitoring

A well-designed system of internal control will include monitoring of financial reports and information by the governing board in order to compensate for any lack of segregation of duties. The small size of the Village's staff did not allow for an adequate segregation of duties. The Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. In addition, in 2018 the Fiscal Officer also served as the Utility Clerk and was responsible for all functions, including billing, receipting, reconciling, and the approval of adjustments. It is therefore important for the Council members and the Control to monitor financial activity closely and to follow up on any audit findings.

The results of our audit indicated a weakness in management's role to establish and maintain effective internal controls and to ensure and document the Village is complying with legal requirements as evidenced by the material noncompliance citations and material weaknesses included in our report. We initially noted no evidence of support for the unreconciled items on the Village's cash reconciliations, as discussed in Finding No. 2021-002.

Failure to adequately monitor the Village's activities by the Council and Board of Public Affairs/Village Administrator and maintain supporting evidence and accounting reports of the Village's activities could result in errors or irregularities to occur and remain undetected.

The Village Council and Board of Public Affairs/Village Administrator should become more actively involved in monitoring the financial activity of the Village. Village Council should ensure that the Fiscal Officer performs a monthly bank reconciliation. Village Council should then review the validity of the computations and reconciling items and attest to the reconciliation's accuracy. Village Council should also ensure the Fiscal Officer maintains and presents to Council monthly the following records: receipts ledger, appropriations ledger, cash journal, budget vs. actual reports for receipts and disbursements, payroll journal and check register. Utility duties including the receipt of cash, depositing and posting activity to the billing system should be appropriately segregated and all adjustments to utility accounts should require approval.

Supervisory reviews should be performed by members of Village Council and evidenced by the initials of each member performing the review and the date of the review was performed.

The presentation of these records and reviews by Village Council and Board of Public Affairs/Village Administrator should be noted in the minutes. Council should make appropriate inquiries to help determine the continued integrity of financial information such as:

- Are current receipts sufficient to cover expenditures?
- Are actual receipts and expenditures in line with the budget?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations occur, is the reason documented, and properly budgeted for?
- Are anticipated receipts being received in a timely manner?

VILLAGE OF QUAKER CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020
(Continued)

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

FINDING NUMBER 2021-003 (Continued)

Material Weakness – Control Environment and Monitoring (Continued)

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village.

Official's Response: Management will review the internal control procedures over the bank reconciliation and make the necessary changes in internal control.

FINDING NUMBER 2021-004

Noncompliance and Material Weakness - Appropriations in excess of Estimated Resources

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

At December 31, 2020, the Village's appropriations exceeded the amount certified as available by the budget commission in the Sewer Construction Fund by \$107,913. At December 31, 2021, the Village's appropriations exceeded the amount certified as available by the budget commission in the Fire, Water Operating, and OWDA Loan # 2 funds by \$88, \$2,303, and \$31,082, respectively.

The Village failed to obtain an amended certificate for these appropriations.

Failure to limit appropriations to the amount certified by the budget commission was due to deficiencies in the Village's compliance monitoring policies and procedures and could result in overspending and negative cash fund balances.

The Village should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Village should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Village Council to reduce the appropriations.

Official's Response: Management will ensure prior certification is followed for future disbursements.

VILLAGE OF QUAKER CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020
(Continued)

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

FINDING NUMBER 2021-005

Noncompliance and Material Weakness - Appropriations in excess of Actual Resources

Ohio Rev. Code § 5705.36 provides that total appropriations from each fund shall not exceed the total of the actual resources. Further Ohio Rev. Code § 5705.36 (A)(4) provides 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 total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund in the official certificate of estimated resources, or any amendment thereof, certified prior to the making of the appropriation or supplemental appropriation.

At December 31, 2020, appropriations for the Permissive Motor Vehicle, Fire, Tractor Loan, Sewer Construction, OWDA Redesign Loan, and Salesville Water Loan Funds exceeded actual resources by \$240, \$3,892, \$883, \$136,000, \$1,388, and \$140, respectively. At December 31, 2021, appropriations for the Permissive Motor Vehicle, the Fire, the OWDA Loan # 2, and the Salesville Water Loan Funds exceeded actual resources by \$27, \$9,650, \$38,059, and \$72, respectively.

The Village failed to monitor its available resources and compare them with the appropriations.

Failure to limit appropriations to the available resources was due to deficiencies in the Village's compliance monitoring policies and procedures and could result in overspending and negative cash fund balances.

The Village should draft, approve, and implement procedures to compare appropriations to actual resources and, if adequate resources are available for additional appropriations, the Village should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Village Council to reduce the appropriations.

Official's Response: Management will ensure prior certification is followed for future disbursements.

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

Finding Number	Finding Summary	Status	Additional Information
2019-001	Material Weakness – Utility Billing System Documentation	Corrected	N/A
2019-002	Material Weakness: Reconciliation Adjustments	Not Corrected	Reissued as Finding # 2021-002
2019-003	Material Weakness: Posting of Revenue and Expenditures	Not Corrected	Reissued as Finding # 2021-001
2019-004	Material Weakness: Monitoring of Village’s Activities	Not Corrected	Reissued as Finding # 2021-003
2019-005	Material Weakness: Accurate Posting of Appropriations and Estimated Resources	Corrected	N/A
2019-006	Non-Compliance and Material Weakness: Non-compliance with Ohio Rev. Code § 5705.39	Not Corrected	Reissued as Finding # 2021-004
2019-007	Non-Compliance with Ohio Rev. Code § 5705.41(D)(1)	Corrected	N/A

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF QUAKER CITY

GUERNSEY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/22/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov