



**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998 - 1997



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**VILLAGE OF QUAKER CITY
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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Quaker City
Guernsey County
230 Main Street, P.O. Box 43
Quaker City, Ohio 43773

To the Village Council:

We have audited the accompanying financial statements of the Village of Quaker City, Guernsey County, Ohio, (the Village) as of and for the years ended December 31, 1998 and 1997. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Quaker City, Guernsey County, as of December 31, 1998 and 1997, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2000 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 grants.

This report is intended solely for the information and use of the management, the Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

May 11, 2000

**VILLAGE OF QUAKER CITY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$6,907	\$686	\$6,586	\$14,179
Intergovernmental Receipts	40,816	48,004		88,820
Charges for Services	3,666	14,143		17,809
Earnings on Investments	4,715	410		5,125
Miscellaneous	11,927	22,183		34,110
	<u>68,031</u>	<u>85,426</u>	<u>6,586</u>	<u>160,043</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	6,010	19,964		25,974
Public Health Services	6,200			6,200
Leisure Time Activities	7,178			7,178
Transportation		27,458		27,458
General Government	28,641			28,641
Debt Service:				
Principal Payments			6,586	6,586
Capital Outlay		3,901		3,901
	<u>48,029</u>	<u>51,323</u>	<u>6,586</u>	<u>105,938</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>20,002</u>	<u>34,103</u>	<u>0</u>	<u>54,105</u>
Fund Cash Balances, January 1	<u>22,557</u>	<u>20,727</u>		<u>43,284</u>
Fund Cash Balances, December 31	<u>\$42,559</u>	<u>\$54,830</u>	<u>\$0</u>	<u>\$97,389</u>
Reserves for Encumbrances, December 31	<u>\$553</u>	<u>\$519</u>	<u>\$0</u>	<u>\$1,072</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF QUAKER CITY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$71,919
Miscellaneous	
Total Operating Cash Receipts	71,919
Operating Cash Disbursements:	
Personal Services	50,344
Fringe Benefits	5,042
Contractual Services	16,780
Supplies and Materials	7,140
Capital Outlay	
Total Operating Cash Disbursements	79,306
Operating Income/(Loss)	(7,387)
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	8,118
Intergovernmental Receipts	3,853
Total Non-Operating Cash Receipts	11,971
Net Receipts Over/(Under) Disbursements	4,584
Fund Cash Balances, January 1	40,774
Fund Cash Balances, December 31	\$45,358
Reserve for Encumbrances, December 31	\$461

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF QUAKER CITY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$6,784	\$7,954	\$0	\$14,738
Intergovernmental Receipts	28,981	32,390		61,371
Charges for Services	10,000	16,743		26,743
Earnings on Investments	7,505	504		8,009
Miscellaneous	549	2,500		3,049
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	53,819	60,091	0	113,910
Cash Disbursements:				
Current:				
Security of Persons and Property	5,478	28,248		33,726
Public Health Services	14,489			14,489
Leisure Time Activities	3,807			3,807
Transportation		22,179		22,179
General Government	23,344			23,344
Debt Service:				
Principal Payments			6,518	6,518
Capital Outlay				0
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	47,118	50,427	6,518	104,063
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	6,701	9,664	(6,518)	9,847
Other Financing Receipts/(Disbursements):				
Transfers-In			6,518	6,518
Transfers-Out	(6,518)			(6,518)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(6,518)	0	6,518	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	183	9,664	0	9,847
Fund Cash Balances, January 1 (Restated Note 8)	<hr/>	<hr/>	<hr/>	<hr/>
	22,374	11,063		33,437
Fund Cash Balances, December 31	<hr/> \$22,557 <hr/>	<hr/> \$20,727 <hr/>	<hr/> \$0 <hr/>	<hr/> \$43,284 <hr/>
Reserves for Encumbrances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$0	\$302	\$0	\$302

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF QUAKER CITY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1997**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$70,867
Miscellaneous	
Total Operating Cash Receipts	70,867
Operating Cash Disbursements:	
Personal Services	45,341
Fringe Benefits	5,994
Contractual Services	35,772
Supplies and Materials	19,318
Capital Outlay	
Total Operating Cash Disbursements	106,425
Operating Income/(Loss)	(35,558)
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	8,760
Intergovernmental Receipts	1,282
Total Non-Operating Cash Receipts	10,042
Non-Operating Cash Disbursements:	
Debt Service	600
Other Non-Operating Cash Disbursements	199
Total Non-Operating Cash Disbursements	799
Net Receipts Over/(Under) Disbursements	(26,315)
Fund Cash Balances, January 1	67,089
Fund Cash Balances, December 31	\$40,774
Reserve for Encumbrances, December 31	\$0

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF QUAKER CITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Quaker City, Guernsey 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, including water and sewer utilities.

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.

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 Fund

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 Levy Fund -This fund receives tax monies assessed and levied on general assessed valuation of real and personal property. These taxes are used for the volunteer fire department.

VILLAGE OF QUAKER CITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and notes indebtedness. The Village had the following significant Debt Service Fund:

Bond Retirement Fund - This fund receives tax levy monies to retire the fire truck general obligation bonds.

4. 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:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

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, function or object 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.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash 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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 1998 and 1997 budgetary activity appears in Note 3.

**VILLAGE OF QUAKER CITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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>1998</u>	<u>1997</u>
Demand deposits	\$ 78,396	\$ 19,845
Certificates of deposit	<u>64,351</u>	<u>64,213</u>
Total deposits	<u>\$142,747</u>	<u>84,058</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation. During 1998 and 1997, the Village failed to obtain depository agreements with its banking institutions contrary to Ohio Rev. Code Section 135.12.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1998 and December 31, 1997 follows:

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 36,800	\$ 68,031	\$ 31,231
Special Revenue	61,016	85,426	24,410
Debt Service	6,586	6,586	0
Enterprise	<u>83,659</u>	<u>83,890</u>	<u>231</u>
Total	<u>\$ 188,061</u>	<u>\$ 243,933</u>	<u>\$ 55,872</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 58,357	\$ 48,582	\$ 9,775
Special Revenue	81,743	51,842	29,901
Debt Service	6,586	6,586	0
Enterprise	<u>125,433</u>	<u>79,767</u>	<u>45,666</u>
Total	<u>\$ 272,119</u>	<u>\$ 186,777</u>	<u>\$ 85,342</u>

**VILLAGE OF QUAKER CITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1997 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 32,259	\$ 53,819	\$ 21,560
Special Revenue	47,897	60,091	12,194
Debt Service	0	6,518	6,518
Enterprise	74,627	80,909	6,282
Total	\$ 154,783	\$ 201,337	\$ 46,554

1997 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 55,058	\$ 53,636	\$ 1,422
Special Revenue	59,107	50,729	8,378
Debt Service	0	6,518	(6,518)
Enterprise	145,426	107,224	38,202
Total	\$ 259,591	\$ 218,107	\$ 41,484

During 1997, the Village had expenditures which exceeded appropriations in the Fire Levy Fund and County Permissive Tax Fund, Special Revenue Fund types and the Bond Retirement Fund, Debt Service Fund type, contrary to Ohio Rev. Code Section 5705.41 (B). Also, during 1998 and 1997, the Village did not properly obtain the Clerk's prior certification for expenditures contrary to Ohio Rev. Code Section 5705.41 (D).

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding 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.

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.

**VILLAGE OF QUAKER CITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

5. DEBT

Debt outstanding at December 31, 1998 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$ 42,600	4.87%
Total	<u>\$ 42,600</u>	

General Obligation Bonds were issued on September 11, 1996, in order to receive a Rural Development Loan for the purchase of a fire truck. The bonds will be repaid annually in varying amounts, over 10 years. The general revenues of the Village had been pledged as the source of repayment.

Amortization of the above debt, including interest of \$9,872, is scheduled as follows:

<u>Year ending December 31:</u>	<u>General Obligation Bonds</u>
1999	\$ 6,477
2000	6,562
2001	6,633
2002	6,589
2003	6,536
Subsequent	<u>19,675</u>
Total	<u>\$ 52,472</u>

The Village failed to maintain a Bond Retirement Fund for the bond debt obligation, contrary to the loan agreement signed September 11, 1996 between the Village and United States Department of Agriculture, Farmers Home Administration.

6. RETIREMENT SYSTEMS

The Village's full-time employees, as well as the Clerk and Council members, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This 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 1998 and 1997, members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1998.

**VILLAGE OF QUAKER CITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

8. PRIOR PERIOD ADJUSTMENT

For the year ended December 31, 1997 an adjustment resulted in fund balance restatement.

	<u>Fund Balance at December 31, 1996</u>	<u>Restatement Amount</u>	<u>Fund Balance at January 1, 1997</u>
General Fund	\$24,191	(\$1,817)	\$22,374

The decrease in fund balance for the General Fund is due to a prior period adjustment for interest being posted to the General Fund twice.



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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Quaker City
Guernsey County
230 Main Street, P.O. Box 43
Quaker City, Ohio 43773

To the Village Council:

We have audited the accompanying financial statements of the Village of Quaker City, Guernsey County, Ohio, (the Village) as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1998-31030-001, 1998-31030-002, 1998-31030-003 and 1998-31030-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 11, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 11, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

May 11, 2000

**VILLAGE OF QUAKER CITY
SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1998-31030-001

Noncompliance Citation

Ohio Rev. Code § 5705.41 (D) (1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Forty percent of the transactions we tested did not include prior certification of the Clerk, nor was there evidence of a "Then and Now" certificate being used by the Clerk.

We recommend that the Clerk certify the availability of funds prior to the cash expenditure, and to encumber the entire amount of the invoice at the time the purchase order is approved.

FINDING NUMBER 1998-31030-002

Noncompliance Citation

Ohio Rev. Code Section 135.12 states that each governing authority shall meet every two years on such regularly scheduled meeting of the month next preceding the date of the expiration of its designation of depositories for the purpose of designating the public depositories of the public monies of the subdivision. Effective November 2, 1999, the period expands to five years.

For the audit period, the Village did not have any depository agreements with the banking institutions until August 1999.

We recommend the Village obtain depository agreements as required by the aforementioned section of the Ohio Revised Code for its active, interim and inactive monies that are to be on deposit.

**VILLAGE OF QUAKER CITY
SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 1998-31030-003

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

The following funds had expenditures which exceeded appropriations at the object level of control:

1997	
Special Revenue Fund Type:	
Fire Fund	
Supplies and Materials	\$1,351
County Permissive Tax Fund	
Capital Outlay	\$6,349
Debt Service Fund Type:	
Bond Retirement Fund	
Principal/Interest Payment	\$6,586

Village management should monitor available appropriations, and should deny payments that exceed appropriations. If available resources exist to make the payment, management should request Council to consider amending appropriations.

FINDING NUMBER 1998-31030-004

Noncompliance Citation

The Loan Resolution signed September 11, 1996 between the Village and United States Department of Agriculture, Farmer's Home Administration, under provision (F)(2) and Village Ordinance 4-96, contain covenants requiring the Village to make payments into a Bond Retirement Fund for the repayment of bonds. The Bond Retirement Fund will be depleted at least once a year, except for reasonable carryover amount (not to exceed the greater of (a) one year's earnings on the Bond Retirement Fund or (b) one-twelfth of annual debt service). The Bond Retirement Fund will be used primarily to achieve a proper matching of payments and debt service requirements of the Bonds within each year.

The Village did not create a Bond Retirement Fund as stipulated in their loan resolution with Farmer's Home Administration. The Village paid the debt payment to Farmer's Home Administration from the General Fund in 1997 and from the Fire Levy Fund in 1998.

We recommend that the Village create a Bond Retirement Fund and notify the County Auditor that Fire Levy proceeds should be allocated to the Bond Retirement Fund in an amount sufficient to pay the annual requirements of the bond issue with the United States Department of Agriculture, Farmer's Home Administration. We have adjusted the financial statements to reflect the debt being paid out of a Bond Retirement Fund.



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF QUAKER CITY

GUERNSEY 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
JUNE 6, 2000