

**VILLAGE OF QUAKER CITY, GUERNSEY COUNTY**  
**REGULAR AUDIT**  
**December 31, 2006 and December 31, 2005**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Quaker City  
230 Main Street, Box 156  
Quaker City, Ohio 43773

We have reviewed the *Independent Auditors' Report* of the Village of Quaker City, Guernsey County, prepared by Jones, Cochenour & Co., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

June 9, 2008

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VILLAGE OF QUAKER CITY, GUERNSEY COUNTY

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Village of Quaker City, Guernsey County, Ohio (the "Village") as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express our opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

*much more than an accounting firm*

Village of Quaker City  
Guernsey County  
Independent Auditor's Report  
Page 2

Also, 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 as of December 31, 2006 and 2005, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2008 on our consideration of Village of Quaker City, Guernsey County'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Jones, Cochenour & Co." with a stylized flourish at the end.

Jones, Cochenour & Co.  
March 28, 2008

**VILLAGE OF QUAKER CITY, GUERNSEY COUNTY  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN FUND CASH BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 For the Year Ended December 31, 2006**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property tax and other local tax	\$ 8,629	\$ 5,366	\$ 6,595	\$ -	\$ 20,590
Intergovernmental Receipts	24,848	17,067	\$9,819	-	51,734
Charges for services	100	19,293	-	-	19,393
Earnings on investments	493	352	-	-	845
Miscellaneous	1,029	7,381	-	-	8,410
<b>Total Cash Receipts</b>	<b>35,099</b>	<b>49,459</b>	<b>16,414</b>	<b>-</b>	<b>100,972</b>
<b>Cash Disbursements:</b>					
Security of persons and property	5,898	20,707	-	-	26,605
Public health services	3,590	-	-	-	3,590
Leisure time activities	5,665	-	-	-	5,665
Transportation	-	26,078	-	-	26,078
General government	19,641	-	-	-	19,641
<b>Debt Service:</b>					
Principal payments	-	-	14,230	-	14,230
Interest payments	-	-	1,524	-	1,524
Capital outlay	2,008	4,147	-	-	6,155
<b>Total Cash Disbursements</b>	<b>36,802</b>	<b>50,932</b>	<b>15,754</b>	<b>-</b>	<b>103,488</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(1,703)</b>	<b>(1,473)</b>	<b>660</b>	<b>-</b>	<b>(2,516)</b>
<b>Other Financing Receipts and (Disbursements)</b>					
Sale of fixed assets	-	500	-	-	500
Transfers-in	-	-	-	-	-
Transfers-out	-	-	-	-	-
<b>Total financing receipts and (disbursements)</b>	<b>-</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>500</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(1,703)</b>	<b>(973)</b>	<b>660</b>	<b>-</b>	<b>(2,016)</b>
<b>Fund Cash Balances, January 1</b>	<b>12,212</b>	<b>37,329</b>	<b>-</b>	<b>55,820</b>	<b>105,361</b>
<b>Fund Cash Balances, December 31</b>	<b>\$ 10,509</b>	<b>\$ 36,356</b>	<b>\$ 660</b>	<b>\$ 55,820</b>	<b>\$ 103,345</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$ 163</b>	<b>\$ 52</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 215</b>

See notes to financial statements



**VILLAGE OF QUAKER CITY, GUERNSEY COUNTY  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN FUND CASH BALANCES  
 PROPRIETARY FUND TYPES  
 For the Year Ended December 31, 2006**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Cash Receipts:</b>	
Charges for services	\$ 157,702
<b>Operating Cash Disbursements:</b>	
Personal services	26,885
Fringe benefits	3,961
Contractual services	104,327
Supplies and materials	15,572
Other	3,076
Capital outlay	-
<b>Total Operating Cash Disbursements</b>	<b>153,821</b>
<b>Operating Income</b>	<b>3,881</b>
<b>Non-Operating Cash Receipts:</b>	
Property tax and other local tax	4,219
Intergovernmental Receipts	528
Miscellaneous receipts	679
Other non-operating receipts	192
<b>Total Non-Operating Cash Receipts</b>	<b>5,618</b>
<b>Non-Operating Cash Disbursements:</b>	
Principal payments	(8,796)
Other non-operating disbursements	(407)
<b>Total Non-Operating Cash Disbursements</b>	<b>(9,203)</b>
<b>Net Receipts Over Cash Disbursements</b>	<b>296</b>
<b>Fund Cash Balances, January 1</b>	<b>43,227</b>
<b>Fund Cash Balances, December 31</b>	<b>\$ 43,523</b>
<b>Reserve for Encumbrances, December 31</b>	<b>\$ 258</b>

See notes to financial statements

**VILLAGE OF QUAKER CITY, GUERNSEY COUNTY**  
**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**GOVERNMENTAL FUND TYPES**  
**For the Year Ended December 31, 2005**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service Revenue	Capital Project Revenue	
<b>Cash Receipts:</b>					
Property tax and other local tax	\$ 8,327	\$ 5,843	\$ 5,623	\$ -	\$ 19,793
Intergovernmental Receipts	24,940	43,216	-	-	68,156
Charges for services	559	18,893	-	-	19,452
Earnings on investments	579	416	-	-	995
Miscellaneous	6,750	27,594	-	-	34,344
<b>Total Cash Receipts</b>	<b>41,155</b>	<b>95,962</b>	<b>5,623</b>	<b>-</b>	<b>142,740</b>
<b>Cash Disbursements:</b>					
<b>Current</b>					
Security of persons and property	5,651	29,792	-	-	35,443
Public health services	3,784	-	-	-	3,784
Leisure time activities	5,995	-	-	-	5,995
Transportation	-	57,260	-	-	57,260
General government	17,663	-	-	-	17,663
<b>Debt Service:</b>					
Principal payments	-	-	5,900	-	5,900
Interest payments	-	-	595	-	595
Capital outlay	16,689	35,473	-	35,499	87,661
<b>Total Cash Disbursements</b>	<b>49,782</b>	<b>122,525</b>	<b>6,495</b>	<b>35,499</b>	<b>214,301</b>
<b>Total Cash Receipts (Under) Cash Disbursements</b>	<b>(8,627)</b>	<b>(26,563)</b>	<b>(872)</b>	<b>(35,499)</b>	<b>(71,561)</b>
<b>Other Financing Receipts and (Disbursements)</b>					
Sale of notes	-	25,000	-	26,782	51,782
Sale of fixed assets	-	2,954	-	-	2,954
<b>Total financing receipts and (disbursements)</b>	<b>-</b>	<b>27,954</b>	<b>-</b>	<b>26,782</b>	<b>54,736</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(8,627)</b>	<b>1,391</b>	<b>(872)</b>	<b>(8,717)</b>	<b>(16,825)</b>
<b>Fund Cash Balances, January 1</b>	<b>20,839</b>	<b>35,938</b>	<b>872</b>	<b>64,537</b>	<b>122,186</b>
<b>Fund Cash Balances, December 31</b>	<b>\$ 12,212</b>	<b>\$ 37,329</b>	<b>\$ -</b>	<b>\$ 55,820</b>	<b>\$ 105,361</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$ 2,042</b>	<b>\$ 52</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,094</b>

See notes to financial statements

**VILLAGE OF QUAKER CITY, GUERNSEY COUNTY**  
**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**PROPRIETARY FUND TYPES**  
**For the Year Ended December 31, 2005**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Cash Receipts:</b>	
Charges for services	\$ 149,671
<b>Operating Cash Disbursements:</b>	
Personal services	26,875
Fringe benefits	3,932
Contractual services	95,751
Supplies and materials	15,904
Other	3,219
<b>Total Operating Cash Disbursements</b>	<b>145,681</b>
<b>Operating Income</b>	<b>3,990</b>
<b>Non-Operating Cash Receipts:</b>	
Property tax and other local tax	4,062
Intergovernmental Receipts	589
Other non-operating receipts	11
<b>Total Non-Operating Cash Receipts</b>	<b>4,662</b>
<b>Non-Operating Cash Disbursements:</b>	
Principal payment	(8,796)
Other non-operating disbursements	(19,115)
<b>Total Non-Operating Cash Receipts</b>	<b>(27,911)</b>
<b>Net Receipts Over Cash Disbursements</b>	<b>(19,259)</b>
<b>Before Interfund Transfers and Advances</b>	
Transfers-in	-
Transfers-out	-
<b>Fund Cash Balances, January 1</b>	<b>62,486</b>
<b>Fund Cash Balances, December 31</b>	<b>\$ 43,227</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$ 4,258</b>

See notes to financial statements

**VILLAGE OF QUAKER CITY, GUERNSEY COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization Description**

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 water and sewer utilities, park operations, street maintenance, fire protection services and ambulance services.

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

**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.

**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:

**a. 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.

**b. 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 and emergency squad.

**c. Debt Service Fund**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Funds:

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

**Note Retirement Fund** – This fund receives gasoline tax and motor vehicle tax money to retire general obligation equipment notes.

**Debt Retirement Fund** – This fund receives local government distribution tax money to retire an obligation to GMAC Financing.

**VILLAGE OF QUAKER CITY, GUERNSEY COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Fund Accounting - Continued**

**d. Capital Project Funds**

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

**Street Capital Projects Fund** – This fund receives money from the Guernsey County Engineer for the improvement or construction of Village roads.

**e. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that 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.

**Debt Service Fund** – This fund receives proceeds from funding sources for enterprise activity projects and repayments of debt activity are through this fund.

**Budgetary Process**

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

**a. 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.

**b. 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.

**c. 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. The budgetary presentations have been adjusted to include items that should have been encumbered.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**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.

**VILLAGE OF QUAKER CITY, GUERNSEY COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND 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:

	2006	2005
Demand deposits	\$ 146,869	\$ 148,588
Total deposits	\$ 146,869	\$ 148,588

**Deposits :** Deposits are either insured by the Federal Deposit Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 33,770	\$ 35,099	\$ 1,329
Special Revenue	37,988	49,958	11,970
Debt Service	15,765	16,414	649
Enterprise	146,114	163,320	17,206
Total	\$ 233,637	\$ 264,791	\$ 31,154

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 45,983	\$ 36,965	\$ 9,018
Special Revenue	75,317	50,984	24,333
Debt Service	15,765	15,754	11
Enterprise	245,162	163,282	81,880
Total	\$ 382,227	\$ 266,985	\$ 115,242

**VILLAGE OF QUAKER CITY, GUERNSEY COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**3. BUDGETARY ACTIVITY - CONTINUED**

<b>2005 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 75,353	\$ 41,155	\$ (34,198)
Special Revenue	89,736	123,916	34,180
Debt Service	5,622	5,623	1
Capital Projects	54,656	26,782	(27,874)
Enterprise	154,775	154,333	(442)
<b>Total</b>	<b>\$ 380,142</b>	<b>\$ 351,809</b>	<b>\$ (28,333)</b>

<b>2005 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 93,000	\$ 51,824	\$ 41,176
Special Revenue	149,100	122,577	26,523
Debt Service	6,495	6,495	-
Capital Projects	63,373	35,499	27,874
Enterprise	273,098	177,850	95,248
<b>Total</b>	<b>\$ 585,066</b>	<b>\$ 394,245</b>	<b>\$ 190,821</b>

**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 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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County 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, GUERNSEY COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**5. DEBT**

Debt outstanding at December 31, 2005 and December 31, 2006 was as follows:

	Corrected 12/31/2004	Principal Payments	Additions	12/31/2005	Principal Payments	12/31/2006
General obligation bonds	\$ 12,200	\$ (5,900)	\$ -	\$ 6,300	\$ (6,300)	\$ -
Village capital improvement fund	149,140	(8,796)	26,782	167,126	(8,796)	158,330
Village street paving project	-	-	25,000	25,000	(7,941)	17,059
<b>TOTAL</b>	<b>\$ 161,340</b>	<b>\$ (14,696)</b>	<b>\$ 51,782</b>	<b>\$ 198,426</b>	<b>\$ (23,037)</b>	<b>\$ 175,389</b>

The Village issued \$51,000 in General Obligation Bonds through the United States Department of Agriculture (USDA) on September 11, 1996 to purchase a fire truck and related equipment. The bonds are being repaid annually, in varying amounts, over ten years at an interest rate of 4.875%. The general revenues of the Village have been pledged as the source of repayment. This was paid off in 2005.

A \$50,000 Village Capital Improvement Fund (VCIF) loan was issued to the Village under the Ohio Water Development Authority on June 25, 2002 and relates to the Barnesville water line expansion project. The loan was repaid in 2003. During 2004 a loan was issued by OPWC for the same water line project. The amount received in 2004 was \$149,140 and in 2005 the amount recorded was \$26,782 for a total loan balance of \$175,922 to be amortized over 20 years at 0% rate. The first payment was due July 1, 2005 in the amount of \$4,398. The loan is collateralized by water receipts.

A promissory note was issued on October 31, 2005 to finance the Village Street Paving Project. The note was issued through People's Bank and the terms were 4.8% financing for 36 months.

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

Year ending December 31:	OPWC	Village Street Paving Project
2007	\$ 8,796	\$ 8,530
2008	8,796	8,529
2009	8,796	-
2010	8,796	-
2011	8,796	-
2012 and thereafter	114,350	-
<b>TOTAL</b>	<b>\$ 158,330</b>	<b>\$ 17,059</b>

**6. RETIREMENT SYSTEM AND SOCIAL SECURITY BENEFIT PROGRAM**

The Village's employees and certain elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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.

For 2006 and 2005, the Village's employees contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.7% for 2006 and 13.55% for 2005 of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

The elected officials who are not members of OPERS contribute to Social Security. The contribution rate of these officials is 6.2% of their gross salary. As required, the Village matches the 6.2% contribution to Social Security. The Village has paid all contributions required through December 31, 2006.



**VILLAGE OF QUAKER CITY, GUERNSEY COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- Inland Marine;
- Flood Insurance;
- Bonding; and
- Public Officials Liability.

**8. VILLAGE OF SALESVILLE**

Commencing in 2002, the Village has entered into an agreement with the Village of Salesville to collect an additional \$4 per month from each Village of Salesville water customer on behalf of the Village of Salesville. The extra \$4 fee collected by the Village of Quaker City is remitted to the Village of Salesville on a semiannual basis. The Village of Salesville uses these funds to make payments on debt that was incurred to connect to the Village of Quaker City's water line. This procedure was implemented during 2002 and will continue for a total of twenty years. This activity is reflected in the accompanying financial statements within the enterprise fund type as other non-operating receipts and other non-operating disbursements.

**9. CONTINGENT LIABILITIES/ SUBSEQUENT EVENTS**

Management believes there are no pending claims or lawsuits.

**10. LEGAL COMPLIANCE**

Pursuant to Section 117.11(A) of the Revised Code, the independent auditors performed tests of compliance with provisions of local, state and/or federal laws, as applicable. The auditor's report on the Village's compliance with the Ohio Revised Code and internal control structure comments are included in this report under a separate part of this presentation.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of Village of Quaker City, Guernsey County (the "Village") as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated March 28, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit 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 by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Village of Quaker City, Guernsey County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes or permits such that there is more than a remote likelihood that a misstatement of the agency's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting (2006-4124-001).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We believe the significant deficiency described above as finding 2006-4124-001 is also a material weakness.

*Much more than an accounting firm*

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Village of Quaker City, Guernsey County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, 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 an instance of noncompliance and other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2006-4124-001.

We also noted other immaterial matters of noncompliance that we have reported to management of the Village in a separate letter dated March 28, 2008.

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



Jones, Cochenour & Co.  
March 28, 2008

**VILLAGE OF QUAKER CITY, GUERNSEY COUNTY  
SCHEDULE OF FINDINGS**

<b>Finding Number</b>	<b>2006-4124-001</b>
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**1. NONCOMPLIANCE CITATION AND MATERIAL WEAKNESS**

Ohio Revised Code § 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code § 5705.36(A)(3) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting such excess.

During 2005, the Village had actual revenues in the General Fund, Capital Projects and Enterprise Fund which exceeded budgeted revenues by \$34,196, \$27,874 and \$442, respectively. The Village did not get increased amended certificates, but did expend a significant portion of these excess revenues. There were no negative fund balances.

We recommend the Village monitor budgeted versus actual receipts more carefully. When the Village anticipates appropriating and/or expending additional revenue, an amended certificate of estimated resources should be obtained to comply with this statute.

**AUDITEE RESPONSE:**

The Village Clerk-Treasurer will strive to monitor this activity more closely and obtain amendments when necessary.

**VILLAGE OF QUAKER CITY, GUERNSEY COUNTY  
SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid ; Explain:</b>
2002-003 2004-4124-001	Ohio Rev. Code §5705.36, Budgeted vs. Actual receipts	No	Not Corrected – Reissued as finding 2006-4124-001.
2000-31030-001 2002-004 2004-4124-002	Ohio Rev. Code §5705.41(B)	Yes	Corrected
2000-31030-002 2002-006 2004-4124-003	Ohio Rev. Code §5705.41(D)	Yes	Corrected
2002-009 2004-4124-004	Budgetary receipts to UAN	Yes	Corrected
2002-010 2004-4124-005	Village Expenditures	Yes	Corrected
2004-4124-006	Tracking receipts and expenditures	Yes	Corrected





**Mary Taylor, CPA**  
Auditor of State

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 24, 2008