



Dave Yost • Auditor of State

VILLAGE OF QUAKER CITY
GUERNSEY COUNTY

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Dave Yost • Auditor of State

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 Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Quaker City, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; 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.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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* paragraph, the financial statements referred to above 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, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Quaker City, Guernsey County, Ohio, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 21, 2016

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Taxes	\$27,135	\$8,426	\$5,014	\$0	\$40,575
Intergovernmental	12,969	17,991	6,648	0	37,608
Charges for Services	300	40,289	0	0	40,589
Earnings on Investments	304	13	0	0	317
Miscellaneous	5,457	1,581	0	0	7,038
<i>Total Cash Receipts</i>	<u>46,165</u>	<u>68,300</u>	<u>11,662</u>	<u>0</u>	<u>126,127</u>
Cash Disbursements					
Current:					
Security of Persons & Property	10,015	28,865	0	0	38,880
Public Health Services	2,932	0	0	0	2,932
Leisure Time Activities	5,676	0	0	0	5,676
Transportation	0	18,671	0	0	18,671
General Government	23,266	0	0	0	23,266
Capital Outlay	19,092	10,856	0	0	29,948
Debt Service:					
Principal Retirement	0	0	16,299	0	16,299
Interest and Fiscal Charges	0	0	2,412	0	2,412
<i>Total Cash Disbursements</i>	<u>60,981</u>	<u>58,392</u>	<u>18,711</u>	<u>0</u>	<u>138,084</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,816)</u>	<u>9,908</u>	<u>(7,049)</u>	<u>0</u>	<u>(11,957)</u>
Other Financing Receipts (Disbursements)					
Transfers In	0	0	9,126	0	9,126
Transfers Out	(30,000)	0	0	0	(30,000)
Other Financing Uses	(60)	0	0	0	(60)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(30,060)</u>	<u>0</u>	<u>9,126</u>	<u>0</u>	<u>(20,934)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(44,876)</u>	<u>9,908</u>	<u>2,077</u>	<u>0</u>	<u>(32,891)</u>
<i>Fund Cash Balances, January 1</i>	<u>153,821</u>	<u>78,155</u>	<u>12,493</u>	<u>35</u>	<u>244,504</u>
Fund Cash Balances, December 31					
Restricted	0	88,063	14,570	35	102,668
Assigned	108,645	0	0	0	108,645
Unassigned (Deficit)	300	0	0	0	300
<i>Fund Cash Balances, December 31</i>	<u>\$108,945</u>	<u>\$88,063</u>	<u>\$14,570</u>	<u>\$35</u>	<u>\$211,613</u>

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

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$240,896
<i>Total Operating Cash Receipts</i>	<u>240,896</u>
Operating Cash Disbursements	
Personal Services	53,027
Fringe Benefits	9,010
Contractual Services	115,472
Supplies and Materials	71,459
Other	3,398
<i>Total Operating Cash Disbursements</i>	<u>252,366</u>
<i>Operating Income (Loss)</i>	<u>(11,470)</u>
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	4,937
Intergovernmental	941
Capital Outlay	(7,895)
Principal Retirement	(45,546)
Other Financing Sources	8,400
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(39,163)</u>
<i>Income (Loss) before Capital Contributions, Special</i>	<u>(50,633)</u>
<i>Item, Extraordinary Item, Transfers and Advances</i>	
Capital Contributions	7,500
Transfers In	30,000
Transfers Out	(9,126)
<i>Net Change in Fund Cash Balance</i>	(22,259)
<i>Fund Cash Balances, January 1</i>	<u>106,271</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$84,012</u></u>

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

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Taxes	\$19,279	\$6,813	\$5,099	\$0	\$31,191
Intergovernmental	15,503	15,658	7,162	0	38,323
Charges for Services	1,275	56,286	0	0	57,561
Earnings on Investments	162	16	0	0	178
Miscellaneous	139,303	2,606	0	0	141,909
<i>Total Cash Receipts</i>	<u>175,522</u>	<u>81,379</u>	<u>12,261</u>	<u>0</u>	<u>269,162</u>
Cash Disbursements					
Current:					
Security of Persons & Property	8,874	31,358	0	0	40,232
Public Health Services	2,819	0	0	0	2,819
Leisure Time Activities	6,070	0	0	0	6,070
Transportation	0	30,036	0	0	30,036
General Government	17,602	1,380	0	0	18,982
Capital Outlay	8,136	5,757	9,590	0	23,483
Debt Service:					
Principal Retirement	0	0	18,711	0	18,711
Interest and Fiscal Charges	0	0	2,933	0	2,933
<i>Total Cash Disbursements</i>	<u>43,501</u>	<u>68,531</u>	<u>31,234</u>	<u>0</u>	<u>143,266</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>132,021</u>	<u>12,848</u>	<u>(18,973)</u>	<u>0</u>	<u>125,896</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds	0	0	12,356	0	12,356
Transfers In	0	0	9,126	0	9,126
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>21,482</u>	<u>0</u>	<u>21,482</u>
<i>Net Change in Fund Cash Balances</i>	132,021	12,848	2,509	0	147,378
<i>Fund Cash Balances, January 1</i>	<u>21,800</u>	<u>65,307</u>	<u>9,984</u>	<u>35</u>	<u>97,126</u>
Fund Cash Balances, December 31					
Restricted	0	78,155	12,493	35	90,683
Assigned	153,821	0	0	0	153,821
<i>Fund Cash Balances, December 31</i>	<u>\$153,821</u>	<u>\$78,155</u>	<u>\$12,493</u>	<u>\$35</u>	<u>\$244,504</u>

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

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$223,704
<i>Total Operating Cash Receipts</i>	<u>223,704</u>
Operating Cash Disbursements	
Personal Services	39,947
Fringe Benefits	6,243
Contractual Services	104,391
Supplies and Materials	41,635
Other	1,786
<i>Total Operating Cash Disbursements</i>	<u>194,002</u>
<i>Operating Income (Loss)</i>	<u>29,702</u>
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	4,828
Miscellaneous Receipts	351
Capital Outlay	(5,137)
Principal Retirement	(27,171)
Other Financing Sources	4,132
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(22,997)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>6,705</u>
Transfers Out	(9,126)
<i>Net Change in Fund Cash Balance</i>	(2,421)
<i>Fund Cash Balances, January 1</i>	<u>108,692</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$106,271</u></u>

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

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Quaker City, Guernsey County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, street maintenance, fire protection services and ambulances services. 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.

B. Accounting Basis

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.

C. Deposits and Investments

The Village's accounting basis includes interest-bearing checking and saving accounts.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of 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 receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

Fire Fund - This fund receives property tax monies to use for all operations of the volunteer fire department.

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. 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 Funds:

Fire Truck Loan Fund - This fund receives tax levy monies to retire the fire truck general obligation bonds.

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

Other Debt Service Fund - This fund receives intergovernmental money and a percentage of the water and sewer collections to retire a loan with Peoples Bank for the purchase of a backhoe.

4. Capital Project Fund

This fund accounts for and reports 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 years ended December 31, 2014 and 2013.

5. 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 - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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 Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

VILLAGE OF QUAKER CITY
GUERNSEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

G. Property, Plant, and Equipment

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

H. 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.

2. EQUITY IN POOLED DEPOSITS

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

	2014	2013
Demand deposits	\$295,625	\$350,775

Deposits: Deposits are 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, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,919	\$46,165	\$10,246
Special Revenue	80,558	68,300	(12,258)
Debt Service	19,543	20,788	1,245
Enterprise	212,882	292,674	79,792
Total	\$348,902	\$427,927	\$79,025

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$192,213	\$91,013	\$101,200
Special Revenue	158,713	58,228	100,485
Debt Service	32,036	18,711	13,325
Enterprise	348,653	310,211	38,442
Total	\$731,615	\$478,163	\$253,452

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,671	\$175,522	\$127,851
Special Revenue	81,817	81,379	(438)
Debt Service	31,484	33,743	2,259
Enterprise	210,038	233,015	22,977
Total	\$371,010	\$523,659	\$152,649

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$69,471	\$43,719	\$25,752
Special Revenue	147,424	68,717	78,707
Debt Service	29,112	31,234	(2,122)
Enterprise	317,691	240,930	76,761
Total	\$563,698	\$384,600	\$179,098

4. PROPERTY TAX

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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due 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
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. DEBT

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC CT55F	\$92,358	0.00%
Fire Truck Bonds - USDA	13,900	4.50%
Ohio Water Development Authority Loan	106,932	0.00%
Citizens National Bank - Chevy Truck Loan	5,625	2.89%
Peoples Bank - Backhoe Loan	26,402	3.90%
Total	<u>\$245,217</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved a zero percent loan for \$183,750 for this project. The Village will repay the loans in installments of \$18,375 over 10 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

In 2004, the Village obtained a loan from the Ohio Public Works Commission (OPWC), relating to the Barnesville water line expansion. The total loan received totaled \$175,922 to be amortized over 20 years at a 0% rate. The loan is repaid with semi-annual payments. The loan is collateralized by water receipts.

In 2007, the Village issued general obligation bonds in the amount of \$40,000 to help the Village purchase a fire truck. The bonds will be paid annually with an interest rate of 4.50%. The bonds are collateralized by general revenues of the Village.

In 2011, the Village obtained a \$49,900 loan from Peoples Bank to purchase a backhoe. This loan will be repaid in annual payments of \$9,506 over 6 years with interest at 3.90%. The loan is collateralized by the backhoe.

In 2013, the Village obtained a \$12,356 loan from Citizens National Bank to purchase a truck. This loan will be repaid in monthly installments of \$359 over 36 months with interest at 2.89%. The loan is collateralized by the truck.

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

Year ending December 31:	<u>OPWC Loan</u>	<u>Fire Truck</u>	<u>OWDA Loan</u>	<u>Chevy Truck</u>	<u>Backhoe</u>
2015	\$8,796	\$5,026	\$18,375	\$4,305	\$9,506
2016	8,796	5,128	18,375	1,435	9,506
2017	8,796	5,016	18,375	0	9,506
2018	8,796	0	18,375	0	0
2019	8,796	0	18,375	0	0
2020-2024	43,980	0	15,057	0	0
2025	4,398	0	0	0	0
Total	<u>\$92,358</u>	<u>\$15,170</u>	<u>\$106,932</u>	<u>\$5,740</u>	<u>\$28,518</u>

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. RETIREMENT SYSTEMS

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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

The full-time employees and elected officials who are not members of OPERS contribute to Social Security. The contribution rate of these members 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, 2014.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

9. RELATED PARTY TRANSACTIONS

A Village Council member is part owner of a company from which the Village acquired hardware supplies during the year.

10. 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 semi-annual basis. The Village of Salesville uses these funds to make payment 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.

11. SUBSEQUENT EVENT

The citizens of the Village of Quaker City passed a 1.5 mills sewage levy renewal on November 3, 2015. The citizens of Village of Salesville voted on November 3, 2015 to surrender Corporate Power to Millwood Township, Guernsey County.

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Dave Yost • Auditor of State

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 and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Quaker City, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated January 21, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2014-001 and 2014-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts.

However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as item 2014-001.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 21, 2016

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) states that all local public offices shall 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 Officer's 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 have control procedures in place to ensure the accuracy of the Fiscal Officer's receipts and disbursement line item account postings. Throughout the audit period, various receipts and disbursements were not posted to accurate revenue and expenditure line items.

Receipts were not posted into accurate line item account classifications based on the source of the receipt. The amounts of \$2,438, \$2,332, \$10,786 and \$44,706 in 2014 and \$14,254, \$3,285, \$9,718 and \$41,842 in 2013 were not posted to the correct line item account classification within the General, Special Revenue, Debt Service, and Enterprise Funds, respectively, based on the source of the receipts. As a result, reclassifications were required.

Disbursements were not posted into accurate line item account classifications based on the source of the disbursement. The amounts of \$2,317 and \$9,126 in 2014 within the Special Revenue and Enterprise Funds, respectively, and \$3,201, \$9,590 and \$9,126 in 2013 were not posted to the correct line item account classification within the Special Revenue, Debt Service and Enterprise Funds, respectively, based on the source of the disbursement. As a result, reclassifications were required.

The material reclassifications, to which management agrees, are reflected in the accompanying financial statements.

The Fiscal Officer should review guidance within the Ohio Village Officer's Handbook. This guidance will allow the Fiscal Officer to make proper postings to receipt and disbursement account classifications based on the source of the receipt or disbursement. Someone independent of the Fiscal Officer, preferably a member of the Council, should periodically review postings to the accounting system for accuracy.

FINDING NUMBER 2014-002

Material Weakness

Auditor of State Bulletin 2011-004 mandated Governmental Accounting Standard Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for financial statements for periods beginning after June 15, 2010.

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2014-002
(Continued)**

Material Weakness (Continued)

The Village did not properly reflect its December 31, 2014 and December 31, 2013 fund cash balances in accordance with this statement. The Village disclosed the Debt Service Fund cash fund balance as committed instead of reporting the cash fund balance as restricted in the amount of \$14,570 in 2014 and \$12,493 in 2013. The Village did not include General Fund cash fund balances appropriated in the next fiscal year as assigned in the amounts of \$108,645 in 2014 and \$153,821 in 2013. These amounts have been reclassified in the accompanying financial statements

The Village should review Auditor of State Bulletin 2011-004 for proper reporting of cash fund balances.

Officials' Response: We did not receive a response from Officials to the findings reported above.



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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
FEBRUARY 11, 2016