



Dave Yost • Auditor of State

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY
DECEMBER 31, 2016 AND 2015**

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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, 2016 and 2015.

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 opinions.

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

As described in Note 2 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.

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, 2016 and 2015, or changes in financial position 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, 2016 and 2015, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017, 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

November 14, 2017

**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, 2016**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Taxes	\$24,634	\$6,572	\$5,128	\$0	\$36,334
Intergovernmental	17,915	20,285	3,181	0	41,381
Charges for Services	285	28,161	147	0	28,593
Earnings on Investments	236	32	0	0	268
Miscellaneous	56,977	1,500	2,002	0	60,479
<i>Total Cash Receipts</i>	<u>100,047</u>	<u>56,550</u>	<u>10,458</u>	<u>0</u>	<u>167,055</u>
Cash Disbursements					
Current:					
Security of Persons & Property	9,663	38,244	0	0	47,907
Public Health Services	1,130	0	0	0	1,130
Leisure Time Activities	5,507	0	0	0	5,507
Transportation	0	19,798	0	0	19,798
General Government	25,126	1,666	0	0	26,792
Capital Outlay	33,508	28,696	0	0	62,204
Debt Service:					
Principal Retirement	0	0	14,563	0	14,563
Interest and Fiscal Charges	0	0	1,148	0	1,148
<i>Total Cash Disbursements</i>	<u>74,934</u>	<u>88,404</u>	<u>15,711</u>	<u>0</u>	<u>179,049</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>25,113</u>	<u>(31,854)</u>	<u>(5,253)</u>	<u>0</u>	<u>(11,994)</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds	5,426	0	0	0	5,426
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,426</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,426</u>
<i>Net Change in Fund Cash Balances</i>	30,539	(31,854)	(5,253)	0	(6,568)
<i>Fund Cash Balances, January 1</i>	<u>58,656</u>	<u>104,763</u>	<u>16,494</u>	<u>35</u>	<u>179,948</u>
Fund Cash Balances, December 31					
Restricted	0	72,909	6,782	35	79,726
Assigned	89,195	0	4,459	0	93,654
<i>Fund Cash Balances, December 31</i>	<u>\$89,195</u>	<u>\$72,909</u>	<u>\$11,241</u>	<u>\$35</u>	<u>\$173,380</u>

See accompanying notes to the basic financial statements

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$330,248
<i>Total Operating Cash Receipts</i>	330,248
Operating Cash Disbursements	
Personal Services	57,296
Fringe Benefits	9,293
Contractual Services	89,264
Supplies and Materials	82,937
Other	1,524
<i>Total Operating Cash Disbursements</i>	240,314
<i>Operating Income</i>	89,934
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	4,651
Intergovernmental	17,965
Other Debt Proceeds	253,188
Miscellaneous Receipts	185
Capital Outlay	(262,403)
Principal Retirement	(57,677)
Other Financing Sources	535
Other Financing Uses	(2,002)
<i>Total Non-Operating Receipts (Disbursements)</i>	(45,558)
<i>Net Change in Fund Cash Balance</i>	44,376
<i>Fund Cash Balances, January 1</i>	87,216
<i>Fund Cash Balances, December 31</i>	\$131,592

See accompanying notes to the basic financial statements

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report 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 accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

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

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

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

Other Debt Service Fund-This fund received gasoline tax and motor vehicle tax money as well as sewer and water revenues to retire a loan with Peoples Bank for the purchase of a backhoe.

Capital Project Fund This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village's Capital Project Fund had no receipt or disbursement activity for the year ending December 31, 2016.

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

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

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

Utility Improvement Fund The utility improvement fund accounts for loan proceeds from the Ohio Water Development Authority restricted to the utility plant expansion. A utility surcharge recorded in this fund will repay this loan.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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. Appropriations lapse at year end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances

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

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Village maintains an interest bearing checking and savings account.

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into two 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:

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.

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$114,456	\$105,473	(\$8,983)
Special Revenue	65,189	56,550	(8,639)
Debt Service	9,691	10,458	767
Enterprise	304,890	606,772	301,882
Total	\$494,226	\$779,253	\$285,027

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$129,771	\$74,934	\$54,837
Special Revenue	163,313	88,404	74,909
Debt Service	17,308	15,711	1,597
Capital Projects	35	0	35
Enterprise	732,126	562,396	169,730
Total	\$1,042,553	\$741,445	\$301,108

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 4 – Deposits and Investments

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

	2016
Demand deposits	<u>\$304,972</u>

Deposits

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

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

Note 6- Risk Management

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

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 7- 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 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.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14.0%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC CT55F	\$79,165	0.00%
Fire Truck Bonds - USDA	4,800	4.50%
Ohio Water Development Authority Loan #5927	34,984	0.00%
Ohio Water Development Authority Loan #6859	320,344	3.28/3.39/2.58%
Citizens National Bank - Tractor Loan	9,323	2.89%
Peoples Bank - Backhoe Loan	9,150	3.90%
	<u>\$457,766</u>	

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 9 – Debt (continued)

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 the general revenues of the Village.

In 2011, the Village obtained a \$49,900 loan from People’s Bank to purchase a Backhoe. This loan will be paid annually at \$9,506 over 6 years with interest at 3.90 %. This loan is collateralized by the backhoe.

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. All of the OWDA loans require a balloon payment at the end of the term or when United States Department of Agriculture (USDA) funds are received, if earlier. The OWDA approved a zero percent loan for \$183,750 in the initial design loan to the Village for this project. The Village will repay the loans in semi-annual installments of \$18,375. The OWDA approved additional loans of \$84,000 at an interest rate of 3.28% payable semi-annually at \$2,100; another at \$197,188 at an interest rate of 3.39% payable semi-annually at \$4,930; and \$49,692 at an interest rate of 2.58% payable semi-annually at \$2,470. Water and sewer receipts collateralize the loans and the Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. As of December 31, 2016, the OWDA loans have not been fully drawn down, therefore the loan repayment schedule is not reflected in the amortization schedule listed below.

In 2016, the Village issued an installment loan in the amount of \$10,852 from Citizen’s National Bank to purchase a tractor. This loan will be paid in monthly installments of \$195 over 5 years with an interest rate at 2.90%.

Amortization

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

Year ending December 31:	OPWC	Fire Truck	Tractor	Backhoe
2017	\$13,194	\$5,016	\$2,334	\$9,506
2018	8,796	0	2,334	0
2019	8,796	0	2,334	0
2020	8,796	0	2,334	0
2021	8,796	0	584	0
2022-2025	30,787	0	0	0
Total	<u>\$79,165</u>	<u>\$5,016</u>	<u>\$9,920</u>	<u>\$9,506</u>

OWDA loans are not included in the amortization table above since they were not finalized or completely drawn down at time of repayment as described in subsequent event note below.

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 10 – Related Party Transactions

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

Note 11 – Subsequent Event

The Village began construction of a new sewer plant with an estimated total cost of over 4 million in 2017. The Village was approved for USDA loans for \$670,000 and \$231,000. During August 2017, the Village received USDA loan and grant funding and repaid the outstanding OWDA loans.

The Village of Salesville, Guernsey County was dissolved on February 22, 2017. The Village of Salesville water lines were turned over to the Village of Quaker City. Also, the Village of Quaker City on February 22, 2017 received a check, in the amount of \$9,283.47 from the Village of Salesville. The check represented the remaining funds in Village of Salesville's Water Fund at the time of dissolving.

**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, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Taxes	\$24,116	\$4,513	\$5,026	\$0	\$33,655
Intergovernmental	13,305	20,215	7,168	0	40,688
Charges for Services	1,450	35,989	0	0	37,439
Earnings on Investments	240	26	0	0	266
Miscellaneous	25,344	0	9,126	0	34,470
<i>Total Cash Receipts</i>	<u>64,455</u>	<u>60,743</u>	<u>21,320</u>	<u>0</u>	<u>146,518</u>
Cash Disbursements					
Current:					
Security of Persons & Property	9,594	34,658	0	0	44,252
Public Health Services	2,748	0	0	0	2,748
Leisure Time Activities	6,111	0	0	0	6,111
Transportation	0	11,385	0	0	11,385
General Government	21,643	2,000	0	0	23,643
Capital Outlay	4,643	0	0	0	4,643
Debt Service:					
Principal Retirement	0	0	17,607	0	17,607
Interest and Fiscal Charges	0	0	1,789	0	1,789
<i>Total Cash Disbursements</i>	<u>44,739</u>	<u>48,043</u>	<u>19,396</u>	<u>0</u>	<u>112,178</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>19,716</u>	<u>12,700</u>	<u>1,924</u>	<u>0</u>	<u>34,340</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	0	4,000	0	0	4,000
Transfers Out	(70,000)	0	0	0	(70,000)
Other Financing Uses	(5)	0	0	0	(5)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(70,005)</u>	<u>4,000</u>	<u>0</u>	<u>0</u>	<u>(66,005)</u>
<i>Net Change in Fund Cash Balances</i>	(50,289)	16,700	1,924	0	(31,665)
<i>Fund Cash Balances, January 1</i>	<u>108,945</u>	<u>88,063</u>	<u>14,570</u>	<u>35</u>	<u>211,613</u>
Fund Cash Balances, December 31					
Restricted	0	104,763	4,397	35	109,195
Assigned	15,315	0	12,097	0	27,412
Unassigned (Deficit)	43,341	0	0	0	43,341
<i>Fund Cash Balances, December 31</i>	<u>\$58,656</u>	<u>\$104,763</u>	<u>\$16,494</u>	<u>\$35</u>	<u>\$179,948</u>

See accompanying notes to the basic financial statements

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$270,974
<i>Total Operating Cash Receipts</i>	<i>270,974</i>
Operating Cash Disbursements	
Personal Services	70,649
Fringe Benefits	11,849
Contractual Services	111,524
Supplies and Materials	83,169
Other	4,309
<i>Total Operating Cash Disbursements</i>	<i>281,500</i>
<i>Operating (Loss)</i>	<i>(10,526)</i>
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	4,804
Intergovernmental	479
Other Debt Proceeds	83,182
Miscellaneous Receipts	348
Capital Outlay	(88,382)
Principal Retirement	(47,646)
Other Financing Sources	71
Other Financing Uses	(9,126)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(56,270)</i>
<i>Income (Loss) before Transfers</i>	<i>(66,796)</i>
Transfers In	70,000
<i>Net Change in Fund Cash Balance</i>	<i>3,204</i>
<i>Fund Cash Balances, January 1</i>	<i>84,012</i>
<i>Fund Cash Balances, December 31</i>	<i>\$87,216</i>

See accompanying notes to the basic financial statements

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report 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 accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire Fund This fund is used to account for property tax monies to provide fire protection.

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.

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

Other Debt Service Fund-This fund received gasoline tax and motor vehicle tax money as well as sewer and water revenues to retire a loan with Peoples Bank for the purchase of a backhoe.

Capital Project Fund This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village's Capital Project Fund had no receipt or disbursement activity for the year ending December 31, 2015.

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

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

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

Utility Improvement Fund The utility improvement fund accounts for loan proceeds from the Ohio Water Development Authority restricted to the utility plant expansion. A utility surcharge recorded in this fund will repay this loan.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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. Appropriations lapse at year end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances

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

A summary of 2015 budgetary activity appears in Note 3.

Deposits and Investments

The Village maintains an interest bearing checking and savings account.

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into three 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:

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.

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

The Village applies restricted resources first when expenditures are incurred for 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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,258	\$64,455	\$28,197
Special Revenue	70,749	64,743	(6,006)
Debt Service	19,554	21,320	1,766
Enterprise	338,094	429,858	91,764
Total	\$464,655	\$580,376	\$115,721

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$145,203	\$114,744	\$30,459
Special Revenue	158,812	48,043	110,769
Debt Service	34,124	19,396	14,728
Capital Projects	35	0	35
Enterprise	495,529	426,654	68,875
Total	\$833,703	\$608,837	\$224,866

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 4 – Deposits and Investments

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

	2015
Demand deposits	<u>\$267,164</u>

Deposits

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

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

Note 6- Risk Management

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

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 7- 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 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.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14.0%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC CT55F	\$83,562	0.00%
Fire Truck Bonds - USDA	9,500	4.50%
Ohio Water Development Authority Loan #5927	70,182	0.00%
Ohio Water Development Authority Loan #6859	83,166	3.28%
Citizens National Bank - Chevy Truck Loan	1,075	2.89%
Peoples Bank - Backhoe Loan	17,945	3.90%
	<u>\$265,430</u>	

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 9 – Debt (continued)

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 the general revenues of the Village.

In 2011, the Village obtained a \$49,900 loan from People’s Bank to purchase a Backhoe. This loan will be paid annually at \$9,506 over 6 years with interest at 3.90 %. This loan is collateralized by the backhoe.

In 2013, the Village obtained a \$12,356 loan from Citizen’s National Bank to purchase a truck. This loan will be paid monthly installments of \$359 for 36 months with interest at 2.89%. This loan is collateralized by the truck.

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. All of the OWDA loans require a balloon payment at the end of the term or when United States Department of Agriculture (USDA) funds are received, if earlier. The OWDA approved a zero percent loan for \$183,750 in the initial design loan to the Village for this project. The Village will repay the loans in semi-annual installments of \$18,375 over five years. The OWDA approved a second design loan of \$84,000 at an interest rate of 3.28% payable semi-annually at \$2,100 over 5 years. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. These OWDA loans were not fully drawn down at December 31, 2015, therefore not listed in the Amortization schedule below.

Amortization

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

Year ending December 31:	OPWC	Fire Truck	Chevy Truck	Backhoe
2016	\$8,796	\$5,128	\$1,077	\$9,506
2017	8,796	5,016	0	9,506
2018	8,796	0	0	0
2019	8,796	0	0	0
2020	8,796	0	0	0
2021-2025	39,582	0	0	0
Total	<u>\$83,562</u>	<u>\$10,144</u>	<u>\$1,077</u>	<u>\$19,012</u>

OWDA loans are not included in the amortization table above since they were not finalized or completely drawn down at time of repayment as described in subsequent event note below.

Village of Quaker City, Ohio
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 10 – Related Party Transactions

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

Note 11 – Subsequent Event

The Village began construction of a new sewer plant with an estimated total cost of over 4 million in 2017. The Village was approved for USDA loans for \$670,000 and \$231,000 and during August 2017, the Village received USDA loan and grant funding and repaid the outstanding OWDA loans.



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, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated November 14, 2017, 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 a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2016-001 to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

November 14, 2017

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Material Weakness

The Village should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets document compliance with finance-related legal and contractual requirements and prepare financial statements. As part of this accounting system, the Village should have procedures in place for a review of transactions posted by the Fiscal Officer.

As a result of audit procedures performed, misclassifications were noted in the Village's financial statements as noted below:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements. The Village improperly reported appropriations in excess of estimated receipts in the General Fund as unassigned instead of reporting as assigned, in the amount of \$89,195 during 2016. Also, the Village reported the Debt Service cash fund balance as committed instead of reporting the cash fund balance as restricted, in the amount of \$5,820 and assigned, in the amount of \$4,459 during 2016.
- During 2016, the Village posted various receipts into improper receipt accounts based on the source of the receipts. The amounts of \$11,299, \$2,492, \$4,419 and \$326,826 were not posted to correct revenue account classification within the General, Special Revenue, Debt Service and Enterprise Funds, respectively.
- During 2016, the Village posted various expenditures into improper expenditure accounts based on the purpose of the expenditures. The amounts of \$10,022, \$6,908, and \$282,881 were not posted to correct expenditure account classification within the General, Special Revenue, and Enterprise Funds, respectively.
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements. The Village improperly reported appropriations in excess of estimated receipts in the General Fund as unassigned instead of reporting as assigned, in the amount of \$15,315 during 2015. Also, the Village reported the Debt Service cash fund balance as committed instead of reporting the cash fund balance as restricted, in the amount of \$3,435 and assigned, in the amount of \$12,097 during 2015.
- During 2015, the Village posted various receipts into improper receipt accounts based on the source of the receipts. The amounts of \$87,120, \$2,663, \$85,083 and \$119,731 were not posted to correct revenue account classification within the General, Special Revenue, Debt Service and Enterprise Funds, respectively.
- During 2015, the Village posted various expenditures into improper expenditure accounts based on the purpose of the expenditures. The amounts of \$5,024, and \$87,702 were not posted to correct expenditure account classification within the General and Enterprise Funds, respectively.

The Fiscal Officer should review guidance within the Village Officer's Handbook. This guidance will allow the Fiscal Officer to make proper postings to receipt account classifications based on the source of the receipt. Also, the Fiscal Officer should review Auditor of State Bulletin 2011-004 for proper reporting of fund balances. Someone independent of the Fiscal Officer, preferably a member of the Village Council, should periodically review postings to the accounting system for accuracy.

These material reclassifications, to which management agrees, have been adjusted in the accompanying Village financial statements.

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

Village of Quaker City

PO Box 156
Quaker City, Ohio 43773

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Administrative Code §117-2-02(A) not properly posting to accurate revenue and expenditure line item accounts.	Not corrected	This resulted from an oversight by the Fiscal Officer. Plan to correct in future postings. Re-issued as Finding 2016-001.
2014-002	Auditor of State Bulletin 2011-004 not properly classifying fund cash balances in accordance with GASB 54 statement.	Not corrected	The Village has not made any effort to implement GASB No. 54 as a policy, but the Fiscal Officer will correct fund balance postings in future year-end financial statements.



Dave Yost • 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
NOVEMBER 28, 2017