

VILLAGE OF QUAKER CITY

AUDIT REPORT

JANUARY 1, 2007 - DECEMBER 31, 2008

**Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701**



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Quaker City, Guernsey County, prepared by , Wilson & Phillips, Inc., for the audit period January 1, 2007 through December 31, 2008. 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

July 29, 2009

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**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY
JANUARY 1, 2007 - DECEMBER 31, 2008**

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**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Village of Quaker City, Guernsey County, as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village of Quaker City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village of Quaker City 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. 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 reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Quaker City's combined funds as of December 31, 2008 and 2007, or its changes in financial position or cash flows, where applicable for the years then ended..

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Quaker City, Guernsey County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements and reserve for encumbrances for the years then ended on the basis of accounting described in Note 1.

Independent Auditors' Report
Page Two

The aforementioned revision to generally accepted accounting principles also require the Village to include Management's Discussion and Analysis for the year ended December 31, 2008 and 2007. 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 a report dated June 23, 2009, on our consideration of the Village of Quaker City's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 read in conjunction with this report in considering the results of our audit.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 23, 2009

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts					
Property Tax and Other Local Taxes	\$ 8,751	\$ 5,576	\$ 5,041	\$ -	\$ 19,368
Intergovernmental Receipts	25,586	18,520	8,701	-	52,807
Charges for Services	1,452	19,130	-	-	20,582
Earnings on Investments	203	182	-	-	385
Miscellaneous	5,018	4,865	-	-	9,883
Total Cash Receipts	<u>41,010</u>	<u>48,273</u>	<u>13,742</u>	<u>-</u>	<u>103,025</u>
Cash Disbursements					
Current:					
Security of Persons and Property	6,243	23,220	-	-	29,463
Public Health Services	2,376	-	-	-	2,376
Leisure Time Activities	6,612	-	-	-	6,612
Transportation	-	28,341	-	-	28,341
General Government	23,273	-	-	-	23,273
Debt Service					
Principal	-	-	12,947	-	12,947
Interest	-	-	2,626	-	2,626
Capital Outlay	2,679	25,000	-	-	27,679
Total Cash Disbursements	<u>41,183</u>	<u>76,561</u>	<u>15,573</u>	<u>-</u>	<u>133,317</u>
Total Receipts Over/(Under) Disbursements	(173)	(28,288)	(1,831)	-	(30,292)
Other Financing Receipts/(Disbursements)					
Sale of Notes	-	25,000	-	-	25,000
Total Other Financing Receipts/(Disbursements)	-	25,000	-	-	25,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	\$ (173)	\$ (3,288)	\$ (1,831)	\$ -	\$ (5,292)
Fund Cash Balances, January 1, 2008	<u>10,493</u>	<u>27,431</u>	<u>2,613</u>	<u>35</u>	<u>40,572</u>
Fund Cash Balances, December 31, 2008	<u>\$ 10,320</u>	<u>\$ 24,143</u>	<u>\$ 782</u>	<u>\$ 35</u>	<u>\$ 35,280</u>
Reserve for Encumbrances, December 31, 2008	<u>\$ 163</u>	<u>\$ 52</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215</u>

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, 2008**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 168,797
Total Operating Cash Receipts	168,797
Operating Cash Disbursements:	
Personal Services	32,531
Employee Fringe Benefits	4,815
Contractual Services	100,362
Supplies and Materials	19,828
Other	1,600
Total Operating Cash Disbursements	159,136
Operating Income/(Loss)	9,661
Non-Operating Cash Receipts:	
Property and Other Local Taxes	4,296
Intergovernmental	885
Other Non-operating Receipts	1,104
Total Non-Operating Cash Receipts	6,285
Non-Operating Cash Disbursements:	
Capital Outlay	8,972
Other Non-Operating Disbursements	3,250
Debt Service	
Principal	8,797
Interest	-
Total Non-Operating Cash Disbursements	21,019
Net Receipts Over/(Under) Disbursements	(5,073)
Fund Cash Balances, January 1, 2008	94,161
Fund Cash Balances, December 31, 2008	\$ 89,088
Reserve for Encumbrances, December 31, 2008	\$ 258

See notes to financial statements.

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts					
Property Tax and Other Local Taxes	\$ 9,280	\$ 11,541	\$ -	\$ -	\$ 20,821
Intergovernmental Receipts	25,025	17,585	11,109	155,928	209,647
Special Assessments	100	-	-	-	100
Charges for Services	1,375	16,797	-	-	18,172
Earnings on Investments	419	370	-	-	789
Miscellaneous	2,797	2,756	-	10,235	15,788
Total Cash Receipts	<u>38,996</u>	<u>49,049</u>	<u>11,109</u>	<u>166,163</u>	<u>265,317</u>
Cash Disbursements					
Current:					
Security of Persons and Property	6,093	32,721	-	-	38,814
Public Health Services	4,484	-	-	-	4,484
Leisure Time Activities	5,886	-	-	-	5,886
Transportation	-	21,747	-	-	21,747
General Government	22,049	-	-	-	22,049
Debt Service					
Principal	-	-	8,530	-	8,530
Interest	-	-	626	-	626
Capital Outlay	500	3,506	-	206,128	210,134
Total Cash Disbursements	<u>39,012</u>	<u>57,974</u>	<u>9,156</u>	<u>206,128</u>	<u>312,270</u>
Total Receipts Over/(Under) Disbursements	(16)	(8,925)	1,953	(39,965)	(46,953)
Other Financing Receipts/(Disbursements)					
Sale of Notes	-	-	-	40,000	40,000
Other Financing Uses	-	-	-	(55,820)	(55,820)
Total Other Financing Receipts/(Disbursements)	-	-	-	(15,820)	(15,820)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	\$ (16)	\$ (8,925)	\$ 1,953	\$ (55,785)	\$ (62,773)
Fund Cash Balances, January 1, 2007	<u>10,509</u>	<u>36,356</u>	<u>660</u>	<u>55,820</u>	<u>103,345</u>
Fund Cash Balances, December 31, 2007	<u>\$ 10,493</u>	<u>\$ 27,431</u>	<u>\$ 2,613</u>	<u>\$ 35</u>	<u>\$ 40,572</u>
Reserve for Encumbrances, December 31, 2007	<u>\$ 163</u>	<u>\$ 52</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215</u>

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, 2007**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 159,213
Total Operating Cash Receipts	159,213
Operating Cash Disbursements:	
Personal Services	28,300
Employee Fringe Benefits	4,215
Contractual Services	107,184
Supplies and Materials	16,729
Other	2,630
Total Operating Cash Disbursements	159,058
Operating Income/(Loss)	155
Non-Operating Cash Receipts:	
Property and Other Local Taxes	4,602
Intergovernmental	594
Other Non-operating Receipts	57,334
Total Non-Operating Cash Receipts	62,530
Non-Operating Cash Disbursements:	
Other Non-operating Cash Disbursements	3,250
Debt Service	
Principal	8,797
Interest	-
Total Non-Operating Cash Disbursements	12,047
Net Receipts Over/(Under) Disbursements	50,638
Fund Cash Balances, January 1, 2007	43,523
Fund Cash Balances, December 31, 2007	\$ 94,161
Reserve for Encumbrances, December 31, 2007	\$ 258

See notes to financial statements.

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Quaker City, Guernsey County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council and an elected Mayor and Clerk. The Village provides water and sewer utilities, park operations, street maintenance, fire protection services and ambulances services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Village maintains an interest-bearing checking account.

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:

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.

Special Revenue Funds

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 is used to account for gasoline tax monies and motor vehicle tax monies for constructing, maintaining and repairing Village streets.

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

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. 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.

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

Capital Projects Funds

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following Capital Projects Fund.

Capital Improvement Fund – This fund is used to account for monies to provide for capital improvements within the Village.

Enterprise Funds

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

Water Fund – This fund is used to account for charges for services from residents to cover the cost of providing water services.

Sewer Fund – This fund is used to account for charges for services from residents to cover the cost of providing sewer services.

E. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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. Unencumbered appropriations lapse at year end.

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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.

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.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. 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

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

	2008	2007
Demand deposits	\$ 124,368	\$ 134,733

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

	2008 Budgeted vs. Actual Receipts		
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 40,333	\$ 41,010	\$ 677
Special Revenue	70,508	73,273	2,765
Debt Service	12,875	13,742	867
Enterprise	167,984	175,082	7,098
Total	\$ 291,700	\$ 303,107	\$ 11,407

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 46,934	\$ 41,346	\$ 5,588
Special Revenue	90,866	76,613	14,253
Debt Service	17,047	15,573	1,474
Capital Projects	35	-	35
Enterprise	266,216	180,413	85,803
Total	<u>\$ 421,098</u>	<u>\$ 313,945</u>	<u>\$ 107,153</u>

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 38,119	\$ 38,996	\$ 877
Special Revenue	53,636	49,049	(4,587)
Debt Service	9,158	11,109	1,951
Capital Projects	206,163	206,163	-
Enterprise	149,200	221,743	72,543
Total	<u>\$ 456,276</u>	<u>\$ 527,060</u>	<u>\$ 70,784</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 45,821	\$ 39,175	\$ 6,646
Special Revenue	88,939	58,026	30,913
Debt Service	9,819	9,156	663
Capital Projects	261,983	261,948	35
Enterprise	248,284	171,363	76,921
Total	<u>\$ 654,846</u>	<u>\$ 539,668</u>	<u>\$ 115,178</u>

Contrary to 5705.36, the Village had instances where a reduced certificate of estimated resources should have been obtained.

Contrary to 5705.41(D), the Village had a few disbursements made prior to certification.

Contrary to 5705.39, the Village had several funds have appropriations greater than estimated resources.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

NOTES TO FINANCIAL STATEMENTS

5. DEBT

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest rate
OPWC CT55F	\$ 140,736	0.00%
Peoples Bank - Dump Truck Loan	23,882	4.58%
Fire Truck Bonds	36,700	4.50%
Total	\$ 201,318	

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 2008, the Village obtained a \$25,000 loan from Peoples Bank to purchase a dump truck. This loan will be repaid in monthly installments of \$468 over 60 months with interest at 4.58%. The loan is collateralized by the dump truck.

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

Year ending December 31:	OPWC Loan	Fire Truck	Dump Truck
2009	\$ 8,796	\$ 5,052	\$ 5,613
2010	8,796	4,999	5,613
2011	8,796	5,041	5,613
2012	8,796	5,075	5,613
2013	8,706	5,099	4,206
2014-2018	43,980	20,185	-
2019-2023	43,980	-	-
2024-2028	8,796	-	-
Total	\$ 140,736	\$ 45,451	\$ 26,658

6. RETIREMENT SYSTEMS

The Village's full-time employees and elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, PERS members contributed 10.0% and 9.5% of their wages, respectively. The Village contributed an amount equal to 14.00% and 13.85% of participant's gross salaries for 2008 and 2007, respectively. The Village has paid all contributions required through December 31, 2008.

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, 2008.

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

NOTES TO FINANCIAL STATEMENTS

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Commercial 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 and 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 and is included in the other non-operating receipts and other non-operating disbursements..

9. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

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

We have audited the financial statements of Village of Quaker City, Guernsey County, Ohio, as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 23, 2009, 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's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village'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 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 Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

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 Village's internal control.

Our consideration of internal control over financial reporting was for the limited purposes 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 did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted certain matters that we have reported to management in a separate letter dated June 23, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Quaker City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 one instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings and responses as item 2008-01. We also noted certain immaterial instances of noncompliance that we have reported to the management of Village of Quaker City in a separate letter dated June 23, 2009.

Village of Quaker City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Village of Quaker City's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Village's management, fiscal officer, and Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 23, 2009

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008**

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

FINDING NUMBER 2008-01

1. Section 5705.36, Ohio Revised Code 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. For selected funds, we compared beginning unencumbered fund balance plus actual receipts to appropriations to determine if a reduced certificate should have been obtained and reduced appropriations if appropriations were greater than actual receipts. In 2008, the Permissive Tax Fund, Street Paving Loan Fund, Fire Truck Loan Fund, Sewer Operating Fund, Barnesville Water Loan Fund and Salesville Water Loan Fund had appropriations greater than actual receipts and in 2007, the Street Maintenance Fund, Permissive tax Fund and Fire Levy Fund appropriations greater than actual receipts. Reduced certificates and reduced appropriations should have been obtained and made.

We recommend the Village Fiscal Officer review budgeted versus actual receipts more carefully. When it appears that actual receipts will be higher or lower, an amended certificate of estimated resources be obtained and to reduce or increase appropriations as needed.

Client Response: We agree with finding and will try to improve in the future.

**VILLAGE OF QUAKER CITY
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2008**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-4124-001	ORC 5705.36	No	In current audit as Finding 2008-01



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
AUGUST 11, 2009