



Dave Yost • Auditor of State



VILLAGE OF LORE CITY  
GUERNSEY COUNTY  
DECEMBER 31, 2017

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Lore City  
Guernsey County  
P.O. Box 157  
Lore City, Ohio 43755

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 Lore City, Guernsey County, Ohio (the Village) as of and for the year ended December 31, 2017.

### ***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 Section 117.38 and Ohio Administrative Code Section 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 such 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 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 Section 117.38 and Ohio Administrative Code Section 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 Section 117.38 and Ohio Administrative Code Section 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, 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Lore City, Guernsey County, Ohio as of December 31, 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Matters***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this Schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2018, 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.

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

August 20, 2018

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**VILLAGE OF LORE 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, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$24,325	\$10,612	\$0	\$34,937
Intergovernmental	17,663	19,050	0	36,713
Charges for Services	0	30,137	0	30,137
Earnings on Investments	53	35	0	88
Miscellaneous	6,068	2,470	0	8,538
<i>Total Cash Receipts</i>	<u>48,109</u>	<u>62,304</u>	<u>0</u>	<u>110,413</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons & Property	4,114	18,549	0	22,663
Public Health Services	9	0	0	9
Leisure Time Activities	0	504	0	504
Transportation	6,275	18,083	0	24,358
General Government	42,060	0	0	42,060
Capital Outlay	12,569	15,564	0	28,133
<i>Total Cash Disbursements</i>	<u>65,027</u>	<u>52,700</u>	<u>0</u>	<u>117,727</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(16,918)</u>	<u>9,604</u>	<u>0</u>	<u>(7,314)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(16,918)</u>	<u>9,604</u>	<u>0</u>	<u>(7,314)</u>
<i>Fund Cash Balances, January 1</i>	<u>41,351</u>	<u>73,877</u>	<u>759</u>	<u>115,987</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	83,481	759	84,240
Assigned	23,515	0	0	23,515
Unassigned	918	0	0	918
<i>Fund Cash Balances, December 31</i>	<u>\$24,433</u>	<u>\$83,481</u>	<u>\$759</u>	<u>\$108,673</u>

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

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$61,217
<i>Total Operating Cash Receipts</i>	61,217
<b>Operating Cash Disbursements</b>	
Personal Services	5,475
Employee Fringe Benefits	2,143
Contractual Services	20,038
Supplies and Materials	91
<i>Total Operating Cash Disbursements</i>	27,747
<i>Operating Income</i>	33,470
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	1,898,849
Other Debt Proceeds	180,429
Capital Outlay	(1,547,832)
Principal Retirement	(541,212)
<i>Total Non-Operating Receipts (Disbursements)</i>	(9,766)
<i>Net Change in Fund Cash Balances</i>	23,704
<i>Fund Cash Balances, January 1</i>	217,652
<i>Fund Cash Balances, December 31</i>	\$241,356

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

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**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 Lore City, Guernsey County (the Village), as a body corporate and politic. A publicly-elected six – member Council directs the Village. The Village provides maintenance of roads, street lighting, fire protection and sewer services. The Village contracts with the Guernsey County Sheriff’s department to provide security of persons and property.

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 Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D) permit.

**C. Deposits and Investments**

All deposits are maintained in an interest bearing checking account. The Village has no investments.

**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 property tax, gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Other Special Revenue – This fund receives proceeds from fire levy and contractual agreements with other governmental entities to be used for fire protection.

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**3. 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:

Sewer Operating Fund – The fund receives charges for services from residents to cover sewer service costs.

Enterprise Improvement Fund – This fund receives and appropriates monies for the new Wastewater System Project.

Enterprise Debt Service Fund – This fund is set up to receive and appropriate monies to pay debt incurred by the new Wastewater System Project.

**E. Budgetary Process**

The Ohio Revised Code requires the Village to budget each fund annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 2017 budgetary activity appears in Note 3.

**F. 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:

VILLAGE OF LORE CITY  
GUERNSEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

1. 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.

2. 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 the Board or a Village official delegated that authority by resolution, or by State Statute.

3. 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.

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

	2017
Demand deposits	\$350,029
Total deposits	350,029
Total deposits	\$350,029

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,471	\$48,109	\$4,638
Special Revenue	51,608	62,304	10,696
Enterprise	4,787,000	2,140,495	(2,646,505)
Total	\$4,882,079	\$2,250,908	(\$2,631,171)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,001	\$65,027	\$13,974
Special Revenue	83,824	52,700	31,124
Enterprise	4,369,156	2,738,605	1,630,551
Total	\$4,531,981	\$2,856,332	\$1,675,649

**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.

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

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

**5. Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Water Pollution Control Loan Fund #7746	\$161,422	0%
Total	\$161,422	

The Village entered into an agreement with Ohio Water Development Authority (OWDA) for a WPCLF loan #7746, in the amount of \$698,200, for wastewater collection and treatment. As of December 31, 2017, the Village has drawn down \$161,422. There is no amortization schedule as the loan is not due until completion of the project.

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

**6. Retirement System**

The Village's employees 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. In 2017, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

**7. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and equipment.
- Errors and omissions.
- Management liability for the Fire Village and Public Officials liability.

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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 Lore City  
Guernsey County  
P.O. Box 157  
Lore City, Ohio 43755

To the Members of 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 for the fund type of the Village of Lore City, Guernsey County, Ohio (the Village), as of and for the year ended December 31, 2017, and the related notes to the financial statements and have issued our report thereon dated August 20, 2018, 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 opinion 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 District'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 2017-001 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*.

***Village's Response to Findings***

The Village's responses to the Findings identified in our audit are described in the accompanying Corrective Action Plan. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***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 report 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

August 20, 2018



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Village of Lore City  
Guernsey County  
P.O. Box 157  
Lore City, Ohio 43755

To the Village Council:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Village of Lore City's, Guernsey County, Ohio (the Village), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Village of Lore City's major federal program for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the Village's major federal program.

### ***Management's Responsibility***

The Village's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the Village's compliance for the Village's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Village complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2017.

***Report on Internal Control Over Compliance***

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying Schedule of Findings as item 2017-002.

The Village's responses to our internal control over compliance findings are described in the accompanying Corrective Action Plan. We did not audit the Village's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 20, 2018

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S Army Corps of Engineers</b>			
<i>Direct Program</i>			
Section 594 of the Water Development Act of 1999	12.118	2017	\$ 1,190,524
Total U.S Army Corp of Engineers			<b>1,190,524</b>
<b>U.S Appalachian Regional Commission</b>			
<i>Passed thru Ohio Environmental Protection Agency</i>			
ARC Area Development	23.002	OH-18717	80,517
Total U.S Appalachian Regional Commission			<b>80,517</b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$1,271,041</u></b>

*The accompanying notes are an integral part of this schedule.*

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR PART 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Village of Lore City, Guernsey County (the Village's) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
DECEMBER 31, 2017**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR PART 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Program (list): <ul style="list-style-type: none"> <li>• Section 594 of the Water Development Act of 1999, CFDA # 12.118</li> </ul>	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR PART 200.520?	No

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

**FINDING NUMBER 2017-001**

**Material Weakness**

In our audit engagement letter, as required by AU-C § 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C § 210 paragraphs .A14 & .A16.

The Ohio Village Handbook (revised March 2018) provides suggested account classifications. These accounts classify receipts by fund and source (property taxes or intergovernmental revenue, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example).

VILLAGE OF LORE CITY  
GUERNSEY COUNTY

SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
DECEMBER 31, 2017  
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2017-001 (Continued)**

**Material Weakness (Continued)**

Using these classifications and the aforementioned accounting records 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 always record receipts and disbursements into accurate classifications, or record all such transactions, based upon the source of the receipt or the nature of the disbursement.

Also, the Village did not properly classify its December 31, 2016 governmental fund cash balances in accordance with Governmental Accounting Standards Board (GASB) *Statement Number 54 - Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010.

For the fiscal year ending December 31, 2017, the following posting errors were noted:

- OWDA loan proceeds in the amount of \$19,007 in the Enterprise Improvement Fund were posted as Intergovernmental Revenue instead of Other Debt Proceeds.
- WPCLF loan proceeds in the amount of \$161,422 in the Enterprise Improvement Fund were posted as Intergovernmental Revenue instead of Other Debt Proceeds.
- WPCLF loan proceeds, in the amount of \$41,212 in the Enterprise Improvement Fund were posted as capital outlay expenditure instead of debt principal expenditure.
- OWDA Grant #7838 ARC on-behalf monies, in the amount of \$31,000 in the Enterprise Improvement Fund, were recorded in 2018, but should have been recorded in 2017.
- 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 amount of \$23,515 as unassigned in the General Fund instead of reporting as assigned.

Incorrect postings of financial statement account classifications could result in inaccurate reporting of the Village's financial information. The Village has made the aforementioned reclassifications to their financial statements. The Village did not make the \$31,000 adjustment posted in 2018 back to 2017 due to not being material.

We recommend the Village utilize available authoritative resources to appropriately classify receipt and disbursement transactions, fund balance classifications and related notes to the financial statements.



VILLAGE OF LORE CITY  
GUERNSEY COUNTY

SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
DECEMBER 31, 2017  
(Continued)

**3. FINDINGS FOR FEDERAL AWARDS**

**FINDING NUMBER 2017-002**

**Noncompliance and Material Weakness**

2 CFR Part 200.510(b) requires, in part, that the auditee must prepare a Schedule of Expenditures of Federal Awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with Part 200.502 Basis for determining Federal awards expended.

The Schedule of Expenditures of Federal Awards (the Schedule) prepared by the Village had the following error:

- The Village reported a Community Development Block grant, CFDA #14.218, in the amount of \$203,500, which is a grant being administered by Guernsey County commissioners and should be reported on Guernsey County's federal schedule.

The Village did have a process in place to ensure the Schedule prepared was completed and accurate. Errors and omissions to the Schedule could have an adverse effect on future grant awards by the awarding agency or agencies in addition to an inaccurate assessment of major federal programs that would be subjected to audit. The Village has made adjustments to the original federal schedule provided.

The Fiscal Officer should review all grant awards and be familiar with federal reporting requirements. The Fiscal Officer should implement a system to track all federal receipts and expenditures and related information separately from other receipts and expenditures and report federal receipts and expenditures with proper support including, but not limited to, grant agreements, calculation of the receipts and expenditures, and any federal reporting requirements. This will help ensure the Schedule is complete and accurate and major federal programs are correctly identified for audit.

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# Village of Lore City

**P.O. Box 157  
Lore City, Ohio 43755**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR § 200.511(b) December 31, 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	The Village did not always record receipts and disbursements into accurate classifications, or record all such transactions upon the source of the receipt or the nature of the disbursement. Also, the Village did not properly classify its December 31, 2016 cash fund balances in accordance with GASB Statement No. 54.	Not Corrected.	The same errors occurred in 2017. Fiscal officer after audit now understands the proper posting of previous errors.

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**Village of Lore City**  
**P.O. Box 157**  
**Lore City, Ohio 43755**

**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**December 31, 2017**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2017-001	The Village will request guidance from our consultant on the proper recording of grant-loan receipts and disbursements.	August 20, 2018	Sharon Carpenter, Fiscal Officer
2017-002	The Village will coordinate the preparation of the federal schedule with our consultant.	August 20, 2018	Sharon Carpenter, Fiscal Officer

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# Dave Yost • Auditor of State

VILLAGE OF LORE 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  
SEPTEMBER 6, 2018