



**Auditor of State
Betty Montgomery**

VILLAGE OF LORE CITY
GUERNSEY COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Lore City
Guernsey County
P.O. Box 157
Lore City, Ohio 43719

To the Village Council:

We have audited the accompanying financial statements of the Village of Lore City, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village'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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Lore City, Guernsey County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2004, 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 grants. 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.

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This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 14, 2004

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$18,716	\$12,048	\$30,764
Intergovernmental Receipts	16,875	13,403	30,278
Charges for Services		9,700	9,700
Earnings on Investments	27	30	57
Miscellaneous	6,654	6,748	13,402
	<u>42,272</u>	<u>41,929</u>	<u>84,201</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	2,403	10,365	12,768
Public Health Services	86		86
Leisure Time Activities	3,278	1,689	4,967
Transportation		17,049	17,049
General Government	27,562		27,562
Debt Service:			
Principal Payments	5,579	3,374	8,953
Interest Payments	3,662	1,596	5,258
Capital Outlay		4,632	4,632
	<u>42,570</u>	<u>38,705</u>	<u>81,275</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(298)</u>	<u>3,224</u>	<u>2,926</u>
Fund Cash Balances, January 1	<u>6,883</u>	<u>17,506</u>	<u>24,389</u>
Fund Cash Balances, December 31	<u>\$6,585</u>	<u>\$20,730</u>	<u>\$27,315</u>
Reserves for Encumbrances, December 31	<u>\$339</u>	<u>\$448</u>	<u>\$787</u>

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

VILLAGE OF LORE CITY
GUERNSEY COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Operating Cash Disbursements:	
Other	\$75
Total Operating Cash Disbursements	75
Operating Income/(Loss)	(75)
Fund Cash Balances, January 1	448
Fund Cash Balances, December 31	<u>373</u>

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

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$12,840	\$12,447	\$	\$25,287
Intergovernmental Receipts	15,749	178,326	963	195,038
Charges for Services	1,275	9,100		10,375
Earnings on Investments	94	27		121
Miscellaneous	6,797	3,743		10,540
	<u>36,755</u>	<u>203,643</u>	<u>963</u>	<u>241,361</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	2,350	12,196		14,546
Public Health Services	25			25
Leisure Time Activities	1,774	892		2,666
Transportation		13,898		13,898
General Government	28,124	8,968		37,092
Debt Service:				
Principal Payments	4,793	22,500		27,293
Interest Payments	3,381			3,381
Capital Outlay	1,067	177,130	1,145	179,342
	<u>41,514</u>	<u>235,584</u>	<u>1,145</u>	<u>278,243</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(4,759)</u>	<u>(31,941)</u>	<u>(182)</u>	<u>(36,882)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Notes		40,410		40,410
Sale of Fixed Assets		2,000		2,000
Transfers-In		1,400		1,400
Transfers-Out		(1,400)		(1,400)
Advances-In	4,200	4,200		8,400
Advances-Out	(4,200)	(4,200)		(8,400)
Other Financing Uses		(2,973)		(2,973)
	<u>0</u>	<u>39,437</u>	<u>0</u>	<u>39,437</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(4,759)</u>	<u>7,496</u>	<u>(182)</u>	<u>2,555</u>
Fund Cash Balances, January 1 - Restated	<u>11,642</u>	<u>10,010</u>	<u>182</u>	<u>21,834</u>
Fund Cash Balances, December 31	<u>\$6,883</u>	<u>\$17,506</u>	<u>\$0</u>	<u>\$24,389</u>
Reserves for Encumbrances, December 31	<u>\$233</u>	<u>\$0</u>	<u>\$0</u>	<u>\$233</u>

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

VILLAGE OF LORE CITY
GUERNSEY COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Fund Cash Balances, January 1	\$448
Fund Cash Balances, December 31	<u><u>\$448</u></u>

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

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Lore City, Guernsey County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides maintenance of roads, street lighting, park operations (leisure time activities), and fire protection. 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. 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. 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Fire Levy Fund - This fund receives property tax revenues and proceeds from fire contracts to provide fire protection to Village residents and other political subdivisions.

VILLAGE OF LORE CITY
GUERNSEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Capital Projects Funds

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

Hazard Mitigation Grant State Fund – This fund receives money from the Hazard Mitigation Grant, state portion. The grant monies are used to make capital acquisitions.

Hazard Mitigation Grant Federal Fund – This fund receives money from the Hazard Mitigation Grant, federal portion. The grant monies are used to make capital acquisitions.

4. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Unclaimed Monies Fund – This fund was created to account for tap-fees for an anticipated sewer system for the Village that did not materialize and the donor either moved or can not be located.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted 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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

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 also approve estimated resources.

3. 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.

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

A summary of 2003 and 2002 budgetary activity appears in Note 4.

E. Property, Plant and Equipment

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

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:

	2003	2002
Demand deposits	\$27,688	\$24,837
Total deposits	\$27,688	\$24,837

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. RESTATEMENT OF FUND BALANCES

For the year ended December 31, 2001, an adjustment resulted in fund balance restatement.

	Fund Balances at December 31, 2001	Restatement Amount	Fund Balances at January 1, 2002
Governmental Funds:			
General	\$12,395	(\$753)	\$11,642
Special Revenue	7,031	2,979	10,010
Capital Projects	2,193	(2,011)	182
Total	\$21,619	\$215	\$21,834

The changes in fund balances for the General, Special Revenue and Capital Projects Funds are the result of corrections of errors in the prior year.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
	Budgeted Receipts	Actual Receipts	Variance
Fund Type			
General	\$41,289	\$42,272	\$983
Special Revenue	39,469	41,929	2,460
Total	\$80,758	\$84,201	\$3,443

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$47,227	\$42,909	\$4,318
Special Revenue	48,176	39,153	9,023
Agency	448	75	373
Total	<u>\$95,851</u>	<u>\$82,137</u>	<u>\$13,714</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,627	\$40,955	\$7,328
Special Revenue	240,032	251,653	11,621
Capital Projects	3,934	963	(2,971)
Total	<u>\$277,593</u>	<u>\$293,571</u>	<u>\$15,978</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,023	\$45,947	\$76
Special Revenue	252,597	244,157	8,440
Capital Projects	1,145	1,145	0
Total	<u>\$299,765</u>	<u>\$291,249</u>	<u>\$8,516</u>

5. 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 payment, 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 LORE CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT

Debt outstanding at December 31, 2003, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Installment Loan-Backhoe	\$2,694	5.90%
Promissory Note-Building and Land	42,804	5.45%
Promissory Note-Building	12,672	7.00%
Promissory Note-Fire Engine	37,036	3.95%
Total	<u>\$95,206</u>	

The Village signed a installment loan with Case Credit Corporation to purchase a 1984 Case backhoe. The note consists of five annual installment payments of \$2,841. The note is secured by the backhoe.

The Village signed a commercial mortgage note for the purchase of building and land. The note consists of 53 monthly payments of \$345 and last balloon payment of \$42,465 due May 14, 2004 resulting in total payments in 2004 of \$43,844. The mortgage is secured by the baseball field (land), community center (building) and assignments of rents for tenants of the community center.

The Village signed a commercial mortgage note for building improvements. The note consists of 60 regular monthly payments of \$188 and a last balloon payment of \$9,610 due February 10, 2006 resulting in total payments in 2006 of \$9,798. The mortgage is secured by the community center (building) and assignment of rents for tenants of the community center.

The Village signed a promissory note to purchase a fire engine in 2002. The note consists of ten annual installment payments of \$4,970. The note is secured by the fire engine.

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

	<u>Installment Loan Backhoe</u>	<u>Promissory Note Building and Land</u>	<u>Promissory Note Building</u>	<u>Promissory Note Fire Engine</u>
Year ending December 31:				
2004	\$2,841	\$43,844	\$2,256	\$4,970
2005			2,256	4,970
2006			9,798	4,970
2007				4,970
2008				4,970
2009-2012				19,880
Total	<u>\$2,841</u>	<u>\$43,844</u>	<u>\$14,310</u>	<u>\$44,730</u>

7. RETIREMENT SYSTEMS

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

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENTAL AUDITING STANDARDS**

Village of Lore City
Guernsey County
P.O. Box 157
Lore City, Ohio 55

To the Village Council:

We have audited the accompanying financial statements of the Village of Lore City, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 14, 2004, wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit, of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the Village's management in a separate letter dated July 14, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 14, 2004.

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Village of Lore City
Guernsey County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and the Village Council, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 14, 2004

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-31030-001	Ohio Rev. Code Section 5705.41(D)(1) – prior certification of disbursements	No	Partially Corrected; this noncompliance citation is repeated in the Village's management letter for 2003 and 2002.
2001-31030-002	Ohio Rev. Code Section 5705.41(B) – expenditures exceeding appropriations	Fully corrected	



**Auditor of State
Betty Montgomery**

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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 30, 2004**