



Dave Yost • Auditor of State

VILLAGE OF LORE CITY
GUERNSEY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary Fund Types - For the Year Ended December 31, 2013	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2012	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior AUP Findings	16

This page intentionally left blank



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 and related notes of the Village of Lore City, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Lore City, Guernsey County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

November 25, 2014

**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, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$23,167	\$9,604		\$32,771
Intergovernmental	16,131	20,572		36,703
Special Assessments	30			30
Charges for Services		23,300		23,300
Earnings on Investments	70	11		81
Miscellaneous	11,219	207		11,426
<i>Total Cash Receipts</i>	<u>50,617</u>	<u>53,694</u>	<u>\$0</u>	<u>104,311</u>
Cash Disbursements				
Current:				
Security of Persons and Property	3,778	14,798		18,576
Public Health Services	11			11
Leisure Time Activities		326		326
Transportation		20,290		20,290
General Government	45,862			45,862
Capital Outlay	1,434	4,189		5,623
Debt Service:				
Principal Retirement	17,605			17,605
Interest and Fiscal Charges	91			91
<i>Total Cash Disbursements</i>	<u>68,781</u>	<u>39,603</u>	<u>0</u>	<u>108,384</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(18,164)</u>	<u>14,091</u>	<u>0</u>	<u>(4,073)</u>
Extraordinary Item	447	534	0	981
<i>Net Change in Fund Cash Balances</i>	<u>(17,717)</u>	<u>14,625</u>	<u>0</u>	<u>(3,092)</u>
<i>Fund Cash Balances, January 1</i>	<u>70,879</u>	<u>38,001</u>	<u>3,317</u>	<u>112,197</u>
Fund Cash Balances, December 31				
Restricted		52,626	3,317	55,943
Unassigned (Deficit)	53,162			53,162
<i>Fund Cash Balances, December 31</i>	<u>\$53,162</u>	<u>\$52,626</u>	<u>\$3,317</u>	<u>\$109,105</u>

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

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

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

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$43,857
<i>Total Operating Cash Receipts</i>	43,857
Operating Cash Disbursements	
Personal Services	4,500
Employee Fringe Benefits	1,543
Contractual Services	187,834
Supplies and Materials	395
<i>Total Operating Cash Disbursements</i>	194,272
<i>Operating Income (Loss)</i>	(150,415)
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	184,652
Principal Retirement	(24,700)
Other Financing Sources	24,700
<i>Total Non-Operating Receipts (Disbursements)</i>	184,652
<i>Net Change in Fund Cash Balances</i>	34,237
<i>Fund Cash Balances, January 1</i>	32,113
<i>Fund Cash Balances, December 31</i>	\$66,350

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

**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, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$26,231	\$11,738		\$37,969
Intergovernmental	15,536	23,856		39,392
Special Assessments	140			140
Charges for Services		21,300		21,300
Earnings on Investments	38	7		45
Miscellaneous	62,523	470		62,993
<i>Total Cash Receipts</i>	<u>104,468</u>	<u>57,371</u>	<u>\$0</u>	<u>161,839</u>
Cash Disbursements				
Current:				
Security of Persons and Property	3,693	15,850		19,543
Public Health Services	12			12
Leisure Time Activities		718		718
Transportation		22,048		22,048
General Government	45,694			45,694
Capital Outlay	1,484	13,617	3,038	18,139
Debt Service:				
Principal Retirement	3,655			3,655
Interest and Fiscal Charges	484			484
<i>Total Cash Disbursements</i>	<u>55,022</u>	<u>52,233</u>	<u>3,038</u>	<u>110,293</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>49,446</u>	<u>5,138</u>	<u>(3,038)</u>	<u>51,546</u>
Other Financing Receipts (Disbursements)				
Transfers In	338			338
<i>Total Other Financing Receipts (Disbursements)</i>	<u>338</u>	<u>0</u>	<u>0</u>	<u>338</u>
<i>Net Change in Fund Cash Balances</i>	49,784	5,138	(3,038)	51,884
<i>Fund Cash Balances, January 1</i>	<u>21,095</u>	<u>32,863</u>	<u>6,355</u>	<u>60,313</u>
Fund Cash Balances, December 31				
Restricted		38,001	3,317	41,318
Unassigned (Deficit)	70,879			70,879
<i>Fund Cash Balances, December 31</i>	<u>\$70,879</u>	<u>\$38,001</u>	<u>\$3,317</u>	<u>\$112,197</u>

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

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$37,087		\$37,087
<i>Total Operating Cash Receipts</i>	37,087	\$0	37,087
Operating Cash Disbursements			
Personal Services	1,916		1,916
Employee Fringe Benefits	563		563
Contractual Services	43,928		43,928
Supplies and Materials	325		325
<i>Total Operating Cash Disbursements</i>	46,732	0	46,732
<i>Operating Income (Loss)</i>	(9,645)	0	(9,645)
Non-Operating Receipts (Disbursements)			
Other Debt Proceeds	41,758		41,758
<i>Total Non-Operating Receipts (Disbursements)</i>	41,758	0	41,758
<i>Income (Loss) before Transfers</i>	32,113	0	32,113
Transfers Out		(338)	(338)
<i>Net Change in Fund Cash Balances</i>	32,113	(338)	31,775
<i>Fund Cash Balances, January 1</i>		338	338
<i>Fund Cash Balances, December 31</i>	<u>\$32,113</u>	<u>\$0</u>	<u>\$32,113</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, 2013 AND 2012**

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, park operations, 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. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 Revised Code § 117.38 and Ohio Administrative 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 license tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Issue I Capital Project Fund - This fund receives proceeds from Issue I monies. The proceeds are to be used to repair roads.

4. 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 Fund:

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

5. Agency Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounted for unclaimed monies.

E. 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 fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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.

VILLAGE OF LORE CITY
GUERNSEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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

G. Property, Plant, and Equipment

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

H. Miscellaneous Receipts

The Village received \$45,130 in 2012 in oil and gas lease bonus money. This is reflected as Miscellaneous Receipts in the financial statements in the General Fund.

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:

	<u>2013</u>	<u>2012</u>
Demand deposits	<u>\$175,455</u>	<u>\$144,310</u>

Deposits are insured by the Federal Deposit Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,058	\$51,064	\$6
Special Revenue	54,124	54,228	104
Enterprise	246,852	253,209	6,357
Total	\$352,034	\$358,501	\$6,467

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,413	\$69,229	\$10,184
Special Revenue	66,557	50,211	16,346
Capital Projects	3,000	0	3,000
Enterprise	222,392	219,608	2,784
Total	\$371,362	\$339,048	\$32,314

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$98,724	\$104,806	\$6,082
Special Revenue	52,117	57,371	5,254
Enterprise	73,758	78,845	5,087
Total	\$224,599	\$241,022	\$16,423

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,290	\$56,151	\$6,139
Special Revenue	62,921	52,752	10,169
Capital Projects	3,050	3,038	12
Enterprise	72,724	59,160	13,564
Total	\$200,985	\$171,101	\$29,884

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 taxed 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, 2013 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$312,853	0%
Total	\$312,853	

The Ohio Water Development Authority (OWDA) loan relates to a sewer project that the Village has undertaken to obtain a sewer system in the Village. OWDA approved up to \$500,000 in loans to the Village for this project in 2009. The Village will repay the loan after 10 years from the start date. OWDA will base the amortization schedule on actual amounts the Village borrows.

Sewer receipts collected by the Village are used to collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. There is no amortization schedule for this debt since the project is not complete.

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

During 2013, the Village paid \$672 for losses that exceeded insurance coverage.



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 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 Village of Lore City, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated November 25, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control. We consider finding 2013-001 to be a significant deficiency.

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*.

Entity's Response to Findings

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

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 of 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, the communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

November 25, 2014

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Significant Deficiency

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements, and prepare financial statements and notes to the financial statements.

The Village's receipts and disbursements were not always posted into accurate classifications and accounts.

For the year ending December 31, 2013, the following posting errors were noted:

- Debt payments in the amount of \$24,700 in the Sewer Enterprise Fund were posted to Other Operating Disbursements instead of Principal Retirement.
- OWDA debt proceeds in the amount of \$15,540 in the Sewer Enterprise Fund were posted to Other Financing Sources instead of Other Debt Proceeds.

For the year ending December 31, 2012, the following posting error was noted:

- An extraordinary item was recorded in the amount of \$45,130 for the oil and gas lease bonus money received. This receipt should have been recorded as miscellaneous.

For both 2013 and 2012, the outstanding encumbrances were not included in the budgetary expenditures amounts in the budgetary note. In addition, the debt note did not reflect the correct December 31, 2013 outstanding balances.

The above reclassifications and adjustments, which were agreed to by management, were posted to the financial statements and notes to the financial statements.

The following were insignificant reclassifications that were not recorded on the Village's financial statements but were brought to management's attention:

- A portion of the General Fund balance which represented outstanding encumbrances was classified as Unassigned instead of Assigned in the amount of \$1,129 and \$448 in 2012 and 2013, respectively.

Incorrect postings of financial statement account classifications could result in inaccurate reporting of the Village's financial information.

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.

Officials' Response: The Village will take the steps to properly classify the Debt Payments and Debt Proceeds in the Sewer Fund by utilizing the information in the Village Handbook. The Village will take the necessary steps in the future to make sure fund items are properly classified.

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUP FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Summary from Agreed-Upon Procedures engagement for the years ended December 31, 2011 and 2010:	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
OWDA debt activity was not included on the debt schedule; debt proceeds and fees were not recorded in the General Fund; and OWDA proceeds were recorded as intergovernmental revenue rather than Proceeds of Debt.	No	Partially Corrected; OWDA debt proceeds were incorrectly recorded in 2013. See Finding Number 2013-001 in the Schedule of Findings.



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
DECEMBER 9, 2014**