

**VILLAGE OF LORE CITY
GUERNSEY COUNTY
Regular Audit
December 31, 2007 and 2006**



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of Lore City, Guernsey County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Lore City is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 26, 2008

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VILLAGE OF LORE CITY
GUERNSEY COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

February 4, 2008

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

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, 2007 and 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006 or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Lore City, Guernsey County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**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, 2007**

	<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	\$ 9,917	\$ 13,622	\$ -	\$ 23,539
Intergovernmental Receipts	29,681	38,646	3,637	71,964
Charges for Services	-	11,550	-	11,550
Earnings on Investments	39	9	-	48
Miscellaneous	14,264	5,597	5,550	25,411
	<u>53,901</u>	<u>69,424</u>	<u>9,187</u>	<u>132,512</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	2,597	13,125	-	15,722
Public Health Service	28	-	-	28
Leisure Time Activities	-	1,008	-	1,008
Transportation	-	22,969	-	22,969
General Government	40,752	455	-	41,207
Capital Outlay	10,355	26,926	9,257	46,538
Debt Service:				
Principal Payments	3,765	6,301	-	10,066
Interest Payments	2,729	1,348	-	4,077
	<u>60,226</u>	<u>72,132</u>	<u>9,257</u>	<u>141,615</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Disbursements	<u>(6,325)</u>	<u>(2,708)</u>	<u>(70)</u>	<u>(9,103)</u>
Fund Cash Balances, January 1	<u>18,060</u>	<u>28,046</u>	<u>3,340</u>	<u>49,446</u>
Fund Cash Balances, December 31	<u>\$ 11,735</u>	<u>\$ 25,338</u>	<u>\$ 3,270</u>	<u>\$ 40,343</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
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Agency</u>
Operating Cash Disbursements:	
Other	<u>35</u>
Total Operating Cash Disbursements	<u>35</u>
Net Receipts Over/(Under) Disbursements	(35)
Fund Cash Balances, January 1	<u>373</u>
Fund Cash Balances, December 31	<u><u>\$ 338</u></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, 2006**

	<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	\$ 5,360	\$ 12,522	\$ -	\$ 17,882
Intergovernmental Receipts	31,078	22,345	3,297	56,720
Charges for Services	-	11,500	-	11,500
Earnings on Investments	39	13	-	52
Miscellaneous	15,915	6,333	-	22,248
Total Cash Receipts	<u>52,392</u>	<u>52,713</u>	<u>3,297</u>	<u>108,402</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	2,512	13,077	-	15,589
Public Health Service	25	-	-	25
Leisure Time Activities	-	529	-	529
Transportation	-	19,566	-	19,566
General Government	38,857	313	-	39,170
Capital Outlay	-	8,575	3,214	11,789
Debt Service:				
Principal Payments	3,818	6,007	-	9,825
Interest Payments	2,668	1,641	-	4,309
Total Cash Disbursements	<u>47,880</u>	<u>49,708</u>	<u>3,214</u>	<u>100,802</u>
Total Cash Receipts Over/(Under) Disbursements	<u>4,512</u>	<u>3,005</u>	<u>83</u>	<u>7,600</u>
Fund Cash Balances, January 1	<u>13,548</u>	<u>25,041</u>	<u>3,257</u>	<u>41,846</u>
Fund Cash Balances, December 31	<u>\$ 18,060</u>	<u>\$ 28,046</u>	<u>\$ 3,340</u>	<u>\$ 49,446</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
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Agency</u>
Fund Cash Balances, January 1	<u>373</u>
Fund Cash Balances, December 31	<u><u>\$ 373</u></u>

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

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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. A publicly elected six-member Council directs the Village. 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. Cash and Investments

All cash is 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 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 Funds

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

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

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds (continued)

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

Parks and Recreations Fund -This fund was established to receive grant proceeds and construct a walking trail.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Issue II Fund – during the audit period the Village received a grant from the State of Ohio.

4. Fiduciary Funds (Agency Funds)

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

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 cannot be located.

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 object level of control, and appropriations may not exceed estimated resources. Village 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 cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. 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. The carrying amount of cash at December 31 was as follows:

	2007	2006
Demand deposits	\$49,819	\$40,681

Deposits: are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts				
Fund Type	Budgeted Receipts	Actual Receipts	Variance	
General	\$ 52,663	\$ 53,901	\$	1,238
Special Revenue	67,830	69,424		1,594
Capital Projects	9,186	9,187		1
Total	\$ 129,679	\$ 132,512	\$	2,833

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 63,797	\$ 60,226	\$ 3,571
Special Revenue	86,210	72,132	14,078
Capital Projects	12,181	9,257	2,924
Agency	373	\$ 35	338
Total	\$ 162,561	\$ 141,650	\$ 20,911

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 50,178	\$ 52,392	\$ 2,214
Special Revenue	72,503	52,713	(19,790)
Capital Projects	3,297	3,297	-
Total	\$ 125,978	\$ 108,402	\$ (17,576)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 60,352	\$ 47,880	\$ 12,472
Special Revenue	86,823	49,708	37,115
Capital Projects	4,198	3,214	984
Agency	373	-	373
Total	\$ 151,746	\$ 100,802	\$ 50,944

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which Village Council adopts rates. 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.

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. PROPERTY TAX (continued)

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

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.

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2007 members of PERS contributed 9.5% and for 2006 members of PERS contributed 9% of their gross salaries. The Township contributed an amount equal to 13.85% in 2007 and 13.7% in 2006 of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance from American Alternative Insurance Corporation, a subsidiary of Glatfelter Insurance Group, for the following risks:

- Comprehensive property and general liability;
- Equipment;
- Automobile; and
- Errors and omissions.

The Township also provides health insurance to full time employees through a private carrier.

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Promissory Note- Building and Land	\$ 33,971	4.50%
Promissory Note- Building	6,312	7.63%
Promissory Note- Fire Engine	22,160	3.95%
Lease Purchase Agreement- Tractor	2,828	6.49%
Total	\$ 65,271	

The Village re-financed a commercial mortgage note in the amount of \$42,212, for the purchase of building and land in 2004. The note consists of 180 monthly payments of \$345. The mortgage is secured by the baseball field (land), community center (building), and assignments of rents for tenants of the building.

The Village signed a commercial mortgage note for building improvements in 2001. The note consists of 60 regular monthly payments of \$188 and a last balloon payment of \$6,610 due February 10, 2006. The Village re-financed this commercial mortgage note in the amount of \$9,268 on March 9, 2006. The note consists of 60 regular monthly payments of \$196. The mortgage is secured by the community center (building) and assigned 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.

Lease Purchase Agreement

The Village signed a lease purchase agreement on a Kubota tractor in 2005 for \$10,089. The lease consists of four annual installment payments of \$2,679. The lease is secured by the tractor.

**VILLAGE OF LORE CITY
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. DEBT (Continued)

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

Year Ending	Note	Note	Note	Note
December 31:	Building and Land	Building	Fire Engine	Tractor
2008	\$ 4,138	\$ 2,356	\$ 4,970	\$ 2,878
2009	4,138	2,356	4,970	-
2010	4,138	2,345	4,970	-
2011	4,138	-	4,970	-
2012	4,138	-	4,970	-
Thereafter	26,926	-	-	-
Total	\$ 47,616	\$ 7,057	\$ 24,850	\$ 2,878

Perry & Associates
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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

February 4, 2008

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

To the Village Council

We have audited the financial statements of the **Village of Lore City, Guernsey County, Ohio** (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated February, 4 2008, wherein we noted the financial statements for the period ended December 31, 2007 and 2006 the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, providing an opinion 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 that we must report under *Government Auditing Standard*.

In a separate letter to the Village's management dated February, 4, 2008 we reported other matters related to noncompliance we deemed immaterial.

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

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA
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
APRIL 8, 2008