

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**AUDIT REPORT**

**YEAR ENDED DECEMBER 31, 2005**

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





**Auditor of State  
Betty Montgomery**

Members of Council  
Village of Lore City  
175 Main Street  
PO Box 157  
Lore City, Ohio 43755

We have reviewed the *Independent Auditors' Report* of the Village of Lore City, Guernsey County, prepared by Wolfe, Wilson, & Phillips, Inc. for the audit period January 1, 2005 through December 31, 2005. 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.

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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

June 21, 2006

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**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

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

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, major funds and aggregate remaining fund information of the Village of Lore City, Guernsey County as of and for the year ended December 31, 2005, which collectively comprised the Village's basic financial statements. 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the Village has prepared these financial statements and notes using the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, major funds and the aggregate remaining fund information of Village of Lore City, Guernsey County, as of December 31, 2005, and the respective changes in financial position-cash basis and the respective budgetary comparison for the General Fund, Street Construction, Maintenance and Repair Fund, and Fire Levy Fund, thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 6, 2006, on our consideration of the Village of Lore City's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
May 6, 2006

**VILLAGE OF LORE CITY, GUERNSEY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

This discussion and analysis of the Village of Lore City's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's cash basis accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

The Village's general receipts are primarily real estate and property taxes for governmental activities for the year. Tax receipts for 2005 changed very little compared to 2004 as development within the Village has slowed.

The Village has a community room that is maintained by a part-time custodian. The community room is available for rent for various activities.

In 2005, the Village purchased a new Kubota tractor and subsequently sold the old John Deere tractor. The Village also sold the 1954 Dodge Power Wagon during 2005.

In 2005, the Village purchased new pagers for the fire department.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

**Report Components**

The statement of net assets and statement of activities provide information about the cash activities of the Village as a whole. The statement of cash basis assets and fund balances, and the statement of cash receipts, disbursements and changes in fund cash balances, present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.



**VILLAGE OF LORE CITY, GUERNSEY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statements of net assets and statement of activities for 2005 reflect how the Village did financially within the limitations of the cash basis of accounting. The statement of net assets present the cash balances of the governmental activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the programs services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General cash receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's tax base, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and real estate taxes.

In the statement of net assets and the statement of activities, we divide the government into governmental activities. All of the Village's basic services are reported here, including road maintenance. Real estate and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Government's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

**VILLAGE OF LORE CITY, GUERNSEY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**Governmental Funds** - All of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds for 2005 are the General Fund, Street Construction, Maintenance and Repair Fund, and the Fire Levy Fund. The programs reported in governmental funds are related to those reported in the governmental activities section of the entity-wide statements. There are no reconciliations between the two reports as the Village reports on the cash basis.

**The Government as a Whole**

Table 1 provides a summary of the Village's net assets for 2005 on the cash basis:

Table 1  
NET ASSETS

	Governmental Activities
	2005
Assets	
Cash	\$ 41,846
Total Assets	41,846
Net Assets	
Restricted for:	
Capital Projects	3,257
Other Purposes	25,041
Unrestricted	13,548
Total Net Assets	\$ 41,846

Since this is the first year the Village has reported on this method, there is no comparison to 2004.

**VILLAGE OF LORE CITY, GUERNSEY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

Table 2 reflects the changes in net assets in 2005

Table 2  
CHANGES IN NET ASSETS

	Government Activities
	2005
Receipts:	
Program Receipts:	
Charges for Services	12,500
Operating Grants	10,645
Total Program Receipts	23,145
General Receipts;	
Property and Other Tax	27,973
Other Taxes	13,746
Grants and Entitlements not Restricted	12,702
Sale of Fixed Assets	4,845
Other Financing Sources	9,775
Interest	46
Miscellaneous	20,754
Total General Receipts	89,841
Total Receipts	112,986
Disbursements:	
Security of Persons and Property	11,888
Public Health Services	25
Leisure Time Activities	1,239
Transportation	20,245
General Government	34,558
Capital Outlay	19,741
Debt Service:	
Principal	10,487
Interest	3,561
Total Disbursements	101,744
Increase/(Decrease) In Net Assets	11,242
Net Assets, January 1	30,604
Net Assets, December 31	\$ 41,846

Since this is the first year the Village has reported on this method, there is no comparison to 2004.

Program receipts represent 22% of total receipts for 2005. They are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

**VILLAGE OF LORE CITY, GUERNSEY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

General receipts represent 78% of the Village's total receipts for 2005. Local taxes represent 27% of the general receipts. Grants and entitlements make up the balance of general receipts. Other receipts are insignificant and somewhat unpredictable receipt sources.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Village activities.

**The Government's Funds**

Total governmental funds had receipts of \$112,986 for 2005 and disbursements of \$101,744 for 2005.

**Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

During 2005, the Village made amendments to its appropriation budget and receipts budget to reflect changing circumstances. In 2005 final budgeted receipts were increased due to receiving FEMA grants for flooding. For both 2005, actual receipts were greater than budgeted receipts.

Final budgeted disbursements for 2005 were \$51,880. Actual disbursements for 2005 were \$46,245. The Village kept spending close to budgeted amounts.

**Debt Administration**

At December 31, 2005, the Village had \$77,753 in promissory notes outstanding and \$7,410 due on a municipal lease, with \$7,096 and \$2,218 due within one year, respectively. The promissory notes are used to purchase a building and land, improvements to the building and to purchase a fire engine. Payments are made monthly on the building, land and improvements. Payments are made annually on the fire engine. The municipal lease is used to purchase a tractor for Village use. Payments on the lease are made annually. See footnote #8 for more detail.

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sharon Carpenter, Clerk-Treasurer, and P.O. Box 157, Lore City, Ohio 43755.

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**STATEMENT OF NET ASSETS-CASH BASIS  
December 31, 2005**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 41,846</u>
<b>Total Assets</b>	<u>\$ 41,846</u>
<b>NET ASSETS:</b>	
Restricted for:	
Capital Projects	\$ 3,257
Other Purposes	25,041
Unrestricted	<u>13,548</u>
<b>Total Net Assets</b>	<u><u>\$ 41,846</u></u>

See notes to basic financial statements.

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**STATEMENT OF ACTIVITIES-CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Net (Disbursements) Receipts and Changes in Net Assets</b>
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 11,888	\$ 12,500	\$ -	\$ 612
Public Health Services	25	-	-	(25)
Leisure Time Activities	1,239	-	-	(1,239)
Transportation	20,245	-	10,645	(9,600)
General Government	34,558	-	-	(34,558)
Capital Outlay	19,741	-	-	(19,741)
Debt Service:				
Principal	10,487	-	-	(10,487)
Interest	3,561	-	-	(3,561)
<b>Total Governmental Activities</b>	<b>\$ 101,744</b>	<b>\$ 12,500</b>	<b>\$ 10,645</b>	<b>\$ (78,599)</b>

**General Receipts:**

Property Taxes Levied for:	
General Purposes	27,973
Other Taxes	13,746
Grants and Entitlements not Restricted to Specific Programs	12,702
Sale of Fixed Assets	4,845
Interest	46
Miscellaneous	30,529
<b>Total General Receipts</b>	<b>89,841</b>
 Change in Net Assets	 11,242
 <b>Net Assets Beginning of Year</b>	 <b>30,604</b>
 <b>Net Assets End of Year</b>	 <b>\$ 41,846</b>

See notes to the basic financial statements.

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS-CASH BASIS  
December 31, 2005**

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Fire Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Equity in Pooled Cash and cash Equivalents	\$ 13,548	\$ 4,267	\$ 15,372	\$ 8,659	\$ 41,846
<b>Total Assets</b>	<u>\$ 13,548</u>	<u>\$ 4,267</u>	<u>\$ 15,372</u>	<u>\$ 8,659</u>	<u>\$ 41,846</u>
<b>Fund Balances:</b>					
Reserved:					
Reserved for Encumbrances	\$ -	\$ -	\$ -	\$ 400	\$ 400
Unreserved:					
General Fund	13,548	-	-	-	13,548
Special Revenue	-	4,267	15,372	5,002	24,641
Capital Projects	-	-	-	3,257	3,257
<b>Total Fund Balances</b>	<u>\$ 13,548</u>	<u>\$ 4,267</u>	<u>\$ 15,372</u>	<u>\$ 8,659</u>	<u>\$ 41,846</u>

See notes to basic financial statements.

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUNDS-CASH BASIS  
December 31, 2005**

	<b>General</b>	<b>Street Construction Maintenance and Repair</b>	<b>Fire Levy</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>CASH RECEIPTS</b>					
Property and Other Local Taxes	\$ 5,610	\$ 6,712	\$ 4,679	\$ 901	\$ 17,902
Intergovernmental	31,258	10,454	1,077	4,375	47,164
Charges for Services	-	-	12,500	-	12,500
Interest	28	12	-	6	46
Other	14,965	-	4,974	815	20,754
<b>Total Receipts</b>	<b>51,861</b>	<b>17,178</b>	<b>23,230</b>	<b>6,097</b>	<b>98,366</b>
<b>CASH DISBURSEMENTS:</b>					
Current:					
Security of Persons and Property	2,400	-	9,488	-	11,888
Public Health Services	25	-	-	-	25
Leisure Time Activities	285	-	-	954	1,239
Transportation	-	18,439	-	1,806	20,245
General Government	34,335	-	223	-	34,558
Capital Outlay	2,800	9,775	7,166	-	19,741
Debt Service					
Principal Retirement	4,163	2,679	3,645	-	10,487
Interest and Fiscal Charges	2,237	-	1,324	-	3,561
<b>Total Disbursements</b>	<b>46,245</b>	<b>30,893</b>	<b>21,846</b>	<b>2,760</b>	<b>101,744</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>5,616</b>	<b>(13,715)</b>	<b>1,384</b>	<b>3,337</b>	<b>(3,378)</b>
<b>Other Financing Sources (Uses)</b>					
Sale of Fixed Assets	3,643	1,202	-	-	4,845
Other Financing Sources	-	9,775	-	-	9,775
<b>Total Other Financing Sources (Uses)</b>	<b>3,643</b>	<b>10,977</b>	<b>-</b>	<b>-</b>	<b>14,620</b>
<b>Net Change in Fund Balances</b>	<b>9,259</b>	<b>(2,738)</b>	<b>1,384</b>	<b>3,337</b>	<b>11,242</b>
<b>Cash Fund Balances Beginning of Year</b>	<b>4,289</b>	<b>7,005</b>	<b>13,988</b>	<b>5,322</b>	<b>30,604</b>
<b>Cash Fund Balances End of Year</b>	<b>\$ 13,548</b>	<b>\$ 4,267</b>	<b>\$ 15,372</b>	<b>\$ 8,659</b>	<b>\$ 41,846</b>

See notes to basic financial statements.



**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS-CASH BASIS  
December 31, 2005**

	<u>Agency</u>
<b>ASSETS:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 373</u>
<b>Total Assets</b>	<u>\$ 373</u>
<b>NET ASSETS:</b>	
Restricted for:	
Other Purposes	<u>\$ 373</u>
<b>Total Net Assets</b>	<u><u>\$ 373</u></u>

See notes to basic financial statements.

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>CASH RECEIPTS</b>				
Property and Other Local Taxes	\$ 4,540	\$ 4,540	\$ 5,610	\$ 1,070
Intergovernmental	30,058	30,058	31,258	1,200
Interest	20	20	28	8
Other	14,551	14,551	14,965	414
<b>Total Receipts</b>	<u>49,169</u>	<u>49,169</u>	<u>51,861</u>	<u>2,692</u>
<b>CASH DISBURSEMENTS:</b>				
Current:				
Security of Persons and Property	2,400	2,400	2,400	-
Public Health Services	30	30	25	5
Leisure Time Activities	300	300	285	15
General Government	36,984	39,650	34,335	5,315
Capital Outlay	300	3,100	2,800	300
Debt Service:				
Principal Retirement	4,482	4,163	4,163	-
Interest and Fiscal Charges	1,918	2,237	2,237	-
<b>Total Disbursements</b>	<u>46,414</u>	<u>51,880</u>	<u>46,245</u>	<u>5,635</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	2,755	(2,711)	5,616	8,327
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	-	3,643	3,643	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>3,643</u>	<u>3,643</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	2,755	932	9,259	8,327
<b>Cash Fund Balances Beginning of Year</b>	3,960	3,960	3,960	-
<b>Prior Year Encumbrances Appropriated</b>	<u>329</u>	<u>329</u>	<u>329</u>	<u>-</u>
<b>Cash Fund Balances End of Year</b>	<u>\$ 7,044</u>	<u>\$ 5,221</u>	<u>\$ 13,548</u>	<u>\$ 8,327</u>

See notes to basic financial statements.

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
BUDGET AND ACTUAL - BUDGET BASIS  
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>CASH RECEIPTS</b>				
Property and Other Local Taxes	\$ 6,590	\$ 6,590	\$ 6,712	\$ 122
Intergovernmental	9,422	9,422	10,454	1,032
Interest	20	20	12	(8)
<b>Total Receipts</b>	<u>16,032</u>	<u>16,032</u>	<u>17,178</u>	<u>1,146</u>
<b>CASH DISBURSEMENTS:</b>				
Current:				
Transportation	18,862	19,562	18,439	1,123
Capital Outlay	-	9,775	9,775	-
Debt Service:				
Principal Retirement	-	2,679	2,679	-
<b>Total Disbursements</b>	<u>18,862</u>	<u>32,016</u>	<u>30,893</u>	<u>1,123</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	(2,830)	(15,984)	(13,715)	2,269
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	-	1,202	1,202	-
Other Financing Sources	-	9,775	9,775	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>10,977</u>	<u>10,977</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(2,830)	(5,007)	(2,738)	2,269
<b>Cash Fund Balances Beginning of Year</b>	6,548	6,548	6,548	-
<b>Prior Year Encumbrances Appropriated</b>	457	457	457	-
<b>Cash Fund Balances End of Year</b>	<u>\$ 4,175</u>	<u>\$ 1,998</u>	<u>\$ 4,267</u>	<u>\$ 2,269</u>

See notes to basic financial statements.

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
BUDGET AND ACTUAL - BUDGET BASIS  
FIRE LEVY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Final Budget Positive (Negative)</u>
<b>CASH RECEIPTS</b>				
Property and Other Local Taxes	\$ 4,196	\$ 4,196	\$ 4,679	\$ 483
Intergovernmental	745	745	1,077	332
Charges for Services	8,500	8,500	12,500	4,000
Miscellaneous	4,981	4,981	4,974	(7)
<b>Total Receipts</b>	<u>18,422</u>	<u>18,422</u>	<u>23,230</u>	<u>4,808</u>
<b>CASH DISBURSEMENTS:</b>				
Current:				
Security of Persons and Property	12,805	10,590	9,488	1,102
General Government	4,000	223	223	-
Capital Outlay	1,000	7,177	7,166	11
Debt Service:				
Principal Retirement	3,645	3,645	3,645	-
Interest and Fiscal Charges	6,294	6,294	1,324	4,970
<b>Total Disbursements</b>	<u>27,744</u>	<u>27,929</u>	<u>21,846</u>	<u>6,083</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	(9,322)	(9,507)	1,384	10,891
<b>Cash Fund Balances Beginning of Year</b>	<u>13,988</u>	<u>13,988</u>	<u>13,988</u>	<u>-</u>
<b>Cash Fund Balances End of Year</b>	<u>\$ 4,666</u>	<u>\$ 4,481</u>	<u>\$ 15,372</u>	<u>\$ 10,891</u>

See notes to basic financial statements.

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. DESCRIPTION OF THE REPORTING ENTITY**

**Reporting Entity**

The Village of Lore City, Guernsey County, is a body politic and corporate 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 reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements, in which case GASB prevails. Following are more of the Village's accounting policies.

**Basis of Presentation**

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities or the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or service. The Village has no business-type activities.

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Government-Wide Financial Statements (Continued)**

The statement of net assets present the cash balance of the governmental activities of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the programs goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Village's general receipts.

**Fund Financial Statements**

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**Fund Accounting**

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into one category: governmental.

**Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are General Fund, Street Construction, Maintenance and Repair Fund and Fire District Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Street Construction, Maintenance and Repair Fund is used for constructing, maintaining and repairing Village streets. The Fire Levy Fund is used to account for resources received from property tax money and proceeds from fire contracts to provide fire protection to Village residents and other political subdivisions. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations or other governments and therefore not available to support the Village's own programs. The Village does not have any trust funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note. There were no modifications having substantial support.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected) and certain liabilities (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**Budgetary Process**

All funds are legally required to be budgeted and appropriated (except certain agency funds). The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village may appropriate.

The appropriations ordinance is the Village's authorization to spend resources and set limits on disbursements plus encumbrances at the level of control selected by the Village. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk-Treasurer. The amounts reported in the original budget on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village during the year.

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Investments**

To improve cash management, cash received by the Village is deposited into a checking account, which earns 0.10 percent interest. In 2005, interest credited to the General Fund was \$28.

**Restricted Assets**

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Amounts restricted for other purposes represents special revenue funds restricted to a specific use.

**Inventory and Prepaid Items**

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**Capital Assets**

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

**Interfund Transactions**

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide statements, transfers within governmental activities are eliminated.

**3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

Last audit period the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This audit period the Village has implemented the cash basis of accounting. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type. There was no restatement of fund equity due to this change.



**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance-Budget and Actual-Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparisons of actual results with the budget. The differences between the budgetary basis and the cash basis is outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The outstanding encumbrances at year-end for 2005 were \$400.

**5. DEPOSITS**

Monies held by the Village are classified by State into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, including negotiable order of withdrawal (NOW) accounts.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution, to secure the repayment of all public monies deposited with the institution. Commodore Bank is the financial institution for Village of Lore City.

**Deposits:**

At year ended December 31, 2005, the carrying amount of the Village's deposits was \$42,219 and, the bank balance was \$46,610. Of the bank balance, the entire balance was covered by federal depository insurance. Although the securities serving as collateral were held by the pledging financial institution's public entity deposit pool and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the Federal Deposit Insurance Corporation.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

There was no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**7. DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2005 and 2004, the members in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 and 2004 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$3,531, \$2,839, and \$2,399, respectively. The full amount has been contributed for 2005, 2004 and 2003. Contributions to the member-directed plan for 2005 were \$3,531 made by the Village and \$2,215 made by the plan members.

**Post Employment Benefits**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post employment Benefit. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State Statute. The 2005 and 2004 local government contribution rate was 13.55 percent of covered payroll, 4 percent of covered payroll was the portion that was used to fund health care.

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**7. DEFINED BENEFIT PENSION PLAN (Continued)**

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1 percent and 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 that were used to fund post employment benefits was \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS's health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**8. DEBT**

Long -term debt of the Township as of December 31, 2005 were as follows:

	Balance January 1 2005	Additions	Deductions	Balance December 31 2005	Amount Due Within One Year
Building Note	\$ 40,761	\$ -	\$ 2,653	\$ 38,108	\$ 2,117
Improve Note	11,268	-	1,510	9,758	1,665
Fire Engine Note	33,533	-	3,646	29,887	3,789
Tractor Lease	-	9,775	2,679	7,096	2,218
<b>Totals</b>	<b>\$ 85,562</b>	<b>\$ 9,775</b>	<b>\$ 10,488</b>	<b>\$ 84,849</b>	<b>\$ 9,789</b>

The General Obligation Note for the building was issued in 1999 to finance the purchase of a building and land. The note was issued for \$50,000 at an interest rate of 5.450%. The note was refinanced in 2004 for \$42,212 at an adjustable interest rate that was 4.50% at December 31, 2005. The interest rate is adjusted annually. The full faith and credit of the Village has been pledged to repay this debt.

The General Obligation Note for the improvements was issued in 2001 to finance improvements to the building. The note was issued for \$16,174 at an interest rate of 7.00%. The note was refinanced in 2006 for \$9,628 at an interest rate of 7.625%. The full faith and credit of the Village has been pledged to repay this debt.

The General Obligation Note for the fire engine was issued in 2002 to finance the purchase of a fire engine. The note was issued for \$40,410 at an interest rate of 3.950%. The full faith and credit of the Village has been pledged to repay this debt.

**VILLAGE OF LORE CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**8. DEBT (CONTINUED)**

**Lease Purchase Agreement**

The Village signed a lease purchase agreement on a Kubota tractor for \$9,775. The lease consists of four annual installment payments of \$2,679. The lease is secured by the tractor.

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

<u>Year Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 9,789	\$ 4,005	\$ 13,794
2007	10,350	3,444	13,794
2008	10,870	2,924	13,794
2009	8,776	2,339	11,115
2010	9,210	1,897	11,107
Subsequent	36,168	5,662	41,830
Total	<u>\$ 85,163</u>	<u>\$ 20,271</u>	<u>\$ 105,434</u>

**9. PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstance, State statute permits alternate payment dates to be established.

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

Tangible personal property tax is assessed by the property owners, who must be 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**

**9. PROPERTY TAXES (CONTINUED)**

The full tax rate for all Village operations for the year ended December 31, 2005, was \$20.35 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$ 1,628,770
Agriculture	920
Commercial/Industrial/Mineral	53,690
Public Utility Property	
Real	1,310
Personal	126,230
Tangible Personal Property	30,750
Total Assessed Value	<u>\$ 1,841,670</u>

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENT PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Lore City, Guernsey County, as of and for the year ended December 31, 2005, and have issued our report thereon dated May 6, 2006, wherein we noted the Village followed the cash basis of accounting, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village of Lore City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Lore City's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
May 6, 2006



**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**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  
JULY 6, 2006**