



**Auditor of State  
Betty Montgomery**



LAWRENCE COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Lawrence County  
111 South 4<sup>th</sup> Street  
Ironton, Ohio 45638

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lawrence County, Ohio (the County), as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Choices, Inc., which represent 5 percent and 17 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Other auditors audited those financial statements. They have furnished their report thereon to us, and we base our opinion, insofar as it relates to the amounts included for Choices, Inc. on the report of the other auditors.

Except as described in paragraph four, 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 opinions.

Ohio Administrative Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the accompanying financial statements and notes follow the basis of cash receipts and disbursements. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

The financial statements of Tri State Industries were not audited, and we were not engaged to audit the Tri State Industries' financial statements as part of our audit of the County's basic financial statements. The Tri State Industries' financial activities are included in the County's basic financial statements as a discretely presented component unit and represent 95 percent and 83 percent of the assets and revenues, respectively, of the County's aggregate discretely presented component units.

Because Tri State Industries' financial statements were not audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the aggregate discretely-presented component units of Lawrence County, Ohio, as of and for the year ended December 31, 2003.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information for Lawrence County, Ohio, as of December 31, 2003 and the respective changes in financial position and the respective budgetary comparison for the General Fund, Motor Vehicle Gasoline Tax Fund, Public Assistance Fund, and MRDD General Fund, thereof and for the year then ended in conformity with the basis of accounting Note 2 describes.

During the year ended December 31, 2003, the County revised its financial presentation to include entity-wide financial statements, present major funds, to include Management's Discussion & Analysis and other revisions consistent with Governmental Accounting Statement No. 34, modified for the County's accounting basis.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2005, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We did not audit and do not express an opinion on this information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information.

We conducted our audit to form opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Federal Awards Expenditures is presented for additional analysis and is not a required part of the basic financial statements. The Schedule of Federal Awards Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

January 27, 2005

**Lawrence County**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2003*  
*Unaudited*

The discussion and analysis of Lawrence County's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2003, within the limitations of the County's cash basis of accounting. Please read this in conjunction with the County's financial statements that begin on page 11.

**Financial Highlights**

Key financial highlights for 2003 are as follows:

*Overall:*

Total net assets increased \$68,984 with Governmental Activities decreasing by (\$420,348) and Business-Type Activities increasing by \$489,332.

Total cash receipts were \$43,237,904 in 2003.

Total program cash disbursements were \$43,168,920 in 2003.

*Governmental Activities:*

Total program cash receipts were \$28,241,231 in 2003, while program cash disbursements were \$41,851,381.

Program cash disbursements were primarily composed of Human Services and Health related cash disbursements which were \$23,190,058 in 2003.

*Business-Type Activities:*

Program cash receipts were \$2,014,893 for Business Activities, while corresponding cash disbursements were \$1,317,539. This is the primary reason for the increase in Net Assets in the business-type activities.

**Using this Basic Financial Report**

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

The *Statement of Net Assets-cash basis* and *Statement of Activities-cash basis* provide information about the activities of the whole County, presenting both an aggregate view of the County's cash basis finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of Lawrence County, the General Fund, the Motor Vehicle Gasoline Tax Fund, the Public Assistance Fund, and the MRDD General Fund are the most significant funds and have been presented as major funds.

**Lawrence County**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2003*  
*Unaudited*

***Reporting the County as a Whole***

***The County's Reporting Entity Presentation***

This annual report includes all activities for which Lawrence County is fiscally responsible. These activities, defined as the County's reporting entity, are operated within separate legal entities that make up the primary government and two other separate legal entities that are presented as component units. The primary government consists of Lawrence County. The component unit presentation includes the following separate legal entities:

- Tri-State Industries, Inc.
- Choices, Inc.

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all cash basis financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the County's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether, for the County as a whole, the *cash basis financial position* of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.



**Lawrence County**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2003*  
*Unaudited*

In the Statement of Net Assets and the Statement of Activities, the County is divided into two distinct kinds of activities:

Governmental Activities – Most of the County's programs and services are reported here including general government, public safety, public works, health, human services, conservation and recreation, transportation, capital outlay, and debt service.

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The County's wastewater treatment program is reported as business activities.

Component unit activities-Although Tri-State Industries and Choices, Inc. are separate legal entities, the County includes their activities since the County is financially accountable for these two entities.

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

***Fund Financial Statements***

The analysis of the County's major funds begins on page 9. Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's most significant fund that have been presented as major governmental funds are the General Fund, the Motor Vehicle Gasoline Tax Fund, the Public Assistance Fund and the MRDD General Fund.

***Governmental Funds*** Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed *view* of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various County programs. Since the County is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities due to transfers netted on the Statement of Activities. See Note 2 *Government-Wide Financial Statements*.

***Proprietary Funds*** The County's proprietary funds use the same basis of accounting (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the County as a whole.

**Lawrence County**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2003*  
*Unaudited*

**The County as a Whole**

Recall that the Statement of Net Assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's Net Assets for 2003 compared to the prior year:

Table 1  
 Net Cash Assets

<i>Assets</i>	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Totals</i>	
	2003	2002	2003	2002	2003	2002
Cash & Cash Equivalents	<u>\$10,230,158</u>	<u>\$10,650,506</u>	<u>\$862,123</u>	<u>\$372,791</u>	<u>\$11,092,281</u>	<u>\$11,023,297</u>
<i>Total Assets</i>	10,230,158	10,650,506	862,123	372,791	11,092,281	11,023,297
<i>Net Cash Assets</i>						
Restricted	8,100,025	8,411,636	0	0	8,100,025	8,411,636
Unrestricted (deficit)	<u>2,130,133</u>	<u>2,238,870</u>	<u>862,123</u>	<u>372,791</u>	<u>2,992,256</u>	<u>2,611,661</u>
<i>Total Net Assets</i>	<u><u>\$10,230,158</u></u>	<u><u>\$10,650,506</u></u>	<u><u>\$862,123</u></u>	<u><u>\$372,791</u></u>	<u><u>\$11,092,281</u></u>	<u><u>\$11,023,297</u></u>

Total assets increased by \$68,984.

**Lawrence County**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended December 31, 2003  
Unaudited

Table 2 shows the changes in Net Assets for fiscal year 2003. Since this is the first year the County has prepared cash basis financial statements following GASB Statement 34, cash receipt and cash disbursement comparisons to fiscal year 2002 have not been compiled. In future years, when prior year information has been compiled, a comparative analysis of governmental data will be presented.

**Table 2**  
**Changes In Net Cash Assets**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>Cash Receipts</b>			
<i>Program Cash Receipts</i>			
Charges For Services and Sales	\$ 4,295,882	\$ 2,014,893	\$ 6,310,775
Operating Grants and Contributions	23,100,057	-	23,100,057
Capital Grants and Contributions	845,292	-	845,292
<b>Total Program Cash Receipts</b>	<b>28,241,231</b>	<b>2,014,893</b>	<b>30,256,124</b>
<i>General Cash Receipts and Transfers</i>			
Property Taxes	2,857,017	-	2,857,017
Sales Taxes	5,920,413	-	5,920,413
Grants and Entitlements	1,438,823	-	1,438,823
Interest Receipts	113,619	-	113,619
Miscellaneous	1,172,428	75,230	1,247,658
Proceeds from Sale of Notes	1,404,250	-	1,404,250
Transfers In (Out)	283,252	(283,252)	-
<b>Total General Cash Receipts and Transfers</b>	<b>13,189,802</b>	<b>(208,022)</b>	<b>12,981,780</b>
<b>Total Cash Receipts and Transfers</b>	<b>41,431,033</b>	<b>1,806,871</b>	<b>43,237,904</b>
<b>Cash Disbursements</b>			
<i>Program Cash Disbursements</i>			
<i>General Government</i>			
Legislative and Executive	4,576,080	-	4,576,080
Judicial	2,142,320	-	2,142,320
Public Safety	4,151,661	-	4,151,661
Public Works	3,335,875	-	3,335,875
Health	8,204,966	-	8,204,966
Human Services	14,985,092	-	14,985,092
Conservation and Recreation	531,486	-	531,486
Transportation	5,854	-	5,854
Miscellaneous	25,238	-	25,238
Capital Outlay	1,151,057	-	1,151,057
<i>Debt Service:</i>			
Principal Retirement	2,182,683	-	2,182,683
Interest and Fiscal Charges	559,069	-	559,069
Wastewater Treatment	-	1,317,539	1,317,539
<b>Total Cash Disbursements</b>	<b>41,851,381</b>	<b>1,317,539</b>	<b>43,168,920</b>
<b>Increase (Decrease) In Net Cash Assets</b>	<b>(420,348)</b>	<b>489,332</b>	<b>68,984</b>
Net Cash Assets at Beginning of Year	10,650,506	372,791	11,023,297
Net Cash Assets at End of Year	\$ 10,230,158	\$ 862,123	\$ 11,092,281

**Lawrence County**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2003*  
*Unaudited*

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall monies generated by a voted levy do not increase solely as a result of inflation. Thus, County's dependence upon property taxes is hampered by a lack of tax growth and must return to voters to maintain a constant level of service. Property taxes and sales taxes made up 7 percent and 14 percent, respectively, of cash receipts for governmental activities for Lawrence County in fiscal year 2003. Operating grants and contributions made up 55 percent of cash receipts for governmental activities for the County.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements. The dependence upon tax receipts and intergovernmental monies for governmental activities is apparent. Almost 100 percent of human services activities are supported through charges for services and operating grants and contributions; for all governmental activities general cash receipts and transfers support is 29 percent as shown in Table 2. The taxpayers and the State of Ohio, as a whole, provide the vast majority of resources for Lawrence County. Table 3 below shows the total and net cost of services (on a cash basis) for the County.

Table 3  
 Total Cost of Program Services  
 Governmental Activities and Business-Type Activities

*Table 3*

	2003	
	Total Cost of Service	Net Cost of Service
<b>Governmental Activities</b>		
General Government		
Legislative and Executive	\$ 4,576,080	\$ 3,172,767
Judicial	2,142,320	932,013
Public Safety	4,151,661	2,685,100
Public Works	3,335,875	(162,934)
Health	8,204,966	3,818,354
Human Services	14,985,092	575,191
Conservation and Recreation	531,486	94,063
Transportation	5,854	5,854
Miscellaneous	25,238	19,945
Capital Outlay	1,151,057	(75,602)
Debt Service		
Principal Retirement	2,182,683	2,019,994
Interest and Fiscal Charges	559,069	525,405
Total Cash Disbursements - Governmental Activities	\$ 41,851,381	\$ 13,610,150
<b>Business-Type Activities</b>		
Wastewater Treatment	1,317,539	(697,354)
Total Cash Disbursements - Business-Type Activities	\$ 1,317,539	\$ (697,354)

**Lawrence County**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2003*  
*Unaudited*

***Business-Type Activities***

Business-type activities include wastewater treatment services. Overall Net Assets increased \$489,332 from 2002 to 2003. Only program cash receipts support business-type activities and during 2003 program cash receipts exceeded program cash disbursements, which resulted in the above increase. Program receipts exceeded program disbursements for the Wastewater treatment fund in the amount of \$697,354.

***The County's Funds***

Information about the County's major funds starts on page 13. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$45,493,224 and cash disbursements and other financing uses of \$45,913,572. The net change in fund balance for the year was most significant in the General Fund and the MRDD General Fund, where the General Fund cash balance went from \$2,238,870 in 2002 to \$2,130,133 for 2003 and the MRDD General Fund cash balance went from \$1,148,375 in 2002 to \$1,189,703 for 2003. For the General Fund, cash disbursements exceeded cash receipts in the amount of \$108,737 and in the MRDD fund, cash receipts exceeded cash disbursements in the amount of \$41,328. These factors along with cash disbursements exceeding cash receipts in the other non-major governmental funds in the amount of \$360,874 resulted in governmental fund cash balances decreasing \$420,348.

***General Fund Budgeting Highlights***

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. For the General Fund, final budget basis receipts and other financing sources were \$13,204,585, above original budget estimates of \$11,482,110. Of this \$1,722,475 difference, operating transfers were \$353,836 above original estimates, tax receipts were \$173,441 above original estimates, charges for services \$604,992 above original estimates and various other receipt categories made up the remaining \$590,206. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$13,519,722, \$315,137 above cash receipts.

***Capital Assets and Debt Administration***

**Capital Assets**

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The County had capital outlay disbursements of \$1,151,057 during fiscal year 2003.

**Debt**

Under the cash basis of accounting the County does not report bonds, long-term notes or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds, long-term notes and short-term notes. At December 31, 2003 the County had \$2,775,358 in bonds and related long-term debt for Governmental Activities and \$4,581,199 in bonds and related long-term debt for Business Type Activities. As of December 31, 2003 the County had \$60,000 in short-term Equipment Acquisition Notes outstanding.

**Lawrence County**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2003*  
*Unaudited*

Table 4 summarizes bonds and long-term notes outstanding for Governmental Activities for the past two years:

Table 4  
 Outstanding Debt at December 31  
 Governmental Activities

	<u>2003</u>	<u>2002</u>
General Obligation Bonds	\$2,650,398	\$2,853,000
OPWC Promissory Note	<u>124,960</u>	<u>134,957</u>
 Totals	 <u>\$2,775,358</u>	 <u>\$2,987,957</u>

During fiscal year 2003, the County issued \$1,344,250 in Office Building Refunding General Obligation Bonds to refund \$1,290,000 in Human Services General Obligation Bonds outstanding.

Table 5 summarizes bonds and long-term notes outstanding for Business-Type Activities for the past two years:

Table 5  
 Outstanding Debt at December 31  
 Business-Type Activities

	<u>2003</u>	<u>2002</u>
OWDA Loans	\$3,515,103	\$3,943,931
OPWC Promissory Note	794,540	848,657
Sewer System Improvement Note	<u>271,556</u>	<u>333,000</u>
 Total	 <u>\$4,581,199</u>	 <u>\$5,125,588</u>

**Current Financial Related Activities**

As the preceding information shows, the County heavily depends on its property taxpayers as well as intergovernmental monies. Since the property tax receipts do not grow at the same level as inflation, the County will be faced with significant challenges over the next several years to contain costs and ultimately determine what options are available to the County to increase financial resources.

All of the County's financial abilities will be needed to meet the challenges of the future.

**Contacting the County's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the County's cash basis finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ray T. Dutey, County Auditor at Lawrence County, 111 South Fourth Street, Ironton, Ohio 45638. Or e-mail at [lawcoaud@cloh.com](mailto:lawcoaud@cloh.com).

**Lawrence County**  
**Statement of Net Assets-Cash Basis**  
*As of December 31, 2003*

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Tri-State Industries	Choices, Inc.
<b>ASSETS</b>					
Equity in Pooled Cash and Cash Equivalents	\$10,230,158	\$862,123	\$11,092,281	\$287,000	\$15,318
<i>Total Assets</i>	<u>\$10,230,158</u>	<u>\$862,123</u>	<u>\$11,092,281</u>	<u>\$287,000</u>	<u>\$15,318</u>
<b>NET ASSETS</b>					
Restricted for:					
Debt Service	\$186,410	\$0	\$186,410	\$0	\$0
Capital Projects	735,465	0	735,465	0	0
Other Purposes	7,178,150	0	7,178,150	287,000	15,318
Unrestricted	<u>2,130,133</u>	<u>862,123</u>	<u>2,992,256</u>	<u>0</u>	<u>0</u>
<i>Total Net Assets</i>	<u>\$10,230,158</u>	<u>\$862,123</u>	<u>\$11,092,281</u>	<u>\$287,000</u>	<u>\$15,318</u>

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

**Lawrence County**  
**Statement of Activities-Cash Basis**  
For the Fiscal Year Ended December 31, 2003

	Program Cash Receipts				Net (Cash Disbursements) Cash Receipts and Change in Net Cash Assets			Component Units	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Tri-State Industries	Choices, Inc.
<b>Governmental Activities</b>									
General Government:									
Legislative and Executive	\$4,576,080	\$1,344,413	\$58,900	\$0	(\$3,172,767)	\$0	(\$3,172,767)	\$0	\$0
Judicial	2,142,320	947,450	262,857	0	(932,013)	0	(932,013)	0	0
Public Safety	4,151,661	653,403	813,158	0	(2,685,100)	0	(2,685,100)	0	0
Public Works	3,335,875	42,867	3,455,942	0	162,934	0	162,934	0	0
Health	8,204,966	493,465	3,893,147	0	(3,818,354)	0	(3,818,354)	0	0
Human Services	14,985,092	217,145	14,192,756	0	(575,191)	0	(575,191)	0	0
Conservation and Recreation	531,486	14,481	422,942	0	(94,063)	0	(94,063)	0	0
Transportation	5,854	0	0	0	(5,854)	0	(5,854)	0	0
Miscellaneous	25,238	4,938	355	0	(19,945)	0	(19,945)	0	0
Capital Outlay	1,151,057	381,367	0	845,292	75,602	0	75,602	0	0
Debt Service:									
Principal Retirement	2,182,683	162,689	0	0	(2,019,994)	0	(2,019,994)	0	0
Interest and Fiscal Charges	559,069	33,664	0	0	(525,405)	0	(525,405)	0	0
<b>Total Governmental Activities</b>	<b>41,851,381</b>	<b>4,295,882</b>	<b>23,100,057</b>	<b>845,292</b>	<b>(13,610,150)</b>	<b>0</b>	<b>(13,610,150)</b>	<b>0</b>	<b>0</b>
<b>Business-Type Activities</b>									
Wastewater Treatment	1,317,539	2,014,893	0	0	0	697,354	697,354	0	0
<b>Total Business-Type Activities</b>	<b>1,317,539</b>	<b>2,014,893</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>697,354</b>	<b>697,354</b>	<b>0</b>	<b>0</b>
<b>Total Primary Government</b>	<b>\$43,168,920</b>	<b>\$6,310,775</b>	<b>\$23,100,057</b>	<b>\$845,292</b>	<b>(\$13,610,150)</b>	<b>\$697,354</b>	<b>(\$12,912,796)</b>	<b>\$0</b>	<b>\$0</b>
<b>Component Unit:</b>									
Tri-State Industries, Inc.	\$592,757	\$639,740	\$0	\$0				46,983	0
Choices, Inc.	194,000	77,579	0	0				0	(116,421)
<b>Total Component Units</b>	<b>\$786,757</b>	<b>\$717,319</b>	<b>\$0</b>	<b>\$0</b>				<b>\$46,983</b>	<b>(\$116,421)</b>
<b>General Cash Receipts and Transfers</b>									
Property Taxes Levied for:									
General Purposes					2,857,017	0	2,857,017	0	0
Sales Taxes					5,920,413	0	5,920,413	0	0
Grants and Entitlements not Restricted to Specific Programs					1,438,823	0	1,438,823	0	56,250
Proceeds from Sale of Notes					1,404,250	0	1,404,250	0	0
Transfers In (Out)					283,252	(283,252)	0	0	0
Interest Receipts					113,619	0	113,619	3,484	424
Miscellaneous					1,172,428	75,230	1,247,658	0	0
<b>Total General Cash Receipts and Transfers</b>					<b>13,189,802</b>	<b>(208,022)</b>	<b>12,981,780</b>	<b>3,484</b>	<b>56,674</b>
Change in Net Cash Assets					(420,348)	489,332	68,984	50,467	(59,747)
<i>Net Cash Assets Beginning of Year</i>					<u>10,650,506</u>	<u>372,791</u>	<u>11,023,297</u>	<u>236,533</u>	<u>75,065</u>
<i>Net Cash Assets End of Year</i>					<u>\$10,230,158</u>	<u>\$862,123</u>	<u>\$11,092,281</u>	<u>\$287,000</u>	<u>\$15,318</u>

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



**Lawrence County**  
**Statement of Cash Basis Assets and Fund Balances and**  
**Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances-Governmental Funds-Cash Basis**  
**For the Fiscal Year Ended December 31, 2003**

	<b>General</b>	<b>Motor Vehicle Gasoline Tax</b>	<b>Public Assistance</b>	<b>MRDD General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Cash Receipts</b>						
Property Taxes	\$1,858,028	\$0	\$0	\$998,989	\$0	\$2,857,017
Sales Taxes	5,920,413	0	0	0	0	5,920,413
Charges for Services	1,828,642	455	0	78,544	1,896,499	3,804,140
Licenses and Permits	10,456	0	0	0	39,317	49,773
Fines and Forfeitures	412,706	29,263	0	0	0	441,969
Intergovernmental	1,845,577	3,443,676	12,661,977	2,960,801	4,492,193	25,404,224
Interest	91,165	11,803	0	7,021	3,630	113,619
Other	648,762	39,596	0	205,858	258,160	1,152,376
<b>Total Cash Receipts</b>	<b>12,615,749</b>	<b>3,524,793</b>	<b>12,661,977</b>	<b>4,251,213</b>	<b>6,689,799</b>	<b>39,743,531</b>
<b>Cash Disbursements</b>						
<b>Current Operating</b>						
<b>General Government:</b>						
Legislative and Executive	3,848,823	0	0	0	727,257	4,576,080
Judicial	1,695,149	0	0	0	447,171	2,142,320
Public Safety	2,968,031	0	0	0	1,183,630	4,151,661
Public Works	61,748	3,262,807	0	0	11,320	3,335,875
Health	1,626,690	0	0	4,227,871	2,350,405	8,204,966
Human Services	282,623	0	13,106,568	0	1,595,901	14,985,092
Conservation and Recreation	68,000	0	0	0	463,486	531,486
Transportation	0	0	0	0	5,854	5,854
Miscellaneous	23,190	0	0	0	2,048	25,238
Capital Outlay	0	0	0	0	1,151,057	1,151,057
<b>Debt Service:</b>						
Principal	0	0	0	0	2,182,683	2,182,683
Interest and Fiscal Charges	0	0	0	0	559,069	559,069
<b>Total Cash Disbursements</b>	<b>10,574,254</b>	<b>3,262,807</b>	<b>13,106,568</b>	<b>4,227,871</b>	<b>10,679,881</b>	<b>41,851,381</b>
<b>Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements</b>	<b>2,041,495</b>	<b>261,986</b>	<b>(444,591)</b>	<b>23,342</b>	<b>(3,990,082)</b>	<b>(2,107,850)</b>
<b>Other Financing Sources (Uses)</b>						
Advances In	0	0	0	0	7,600	7,600
Advances Out	(7,600)	0	0	0	0	(7,600)
Transfers In	528,836	0	486,563	17,986	3,304,458	4,337,843
Transfers Out	(2,731,468)	(244,932)	(51,091)	0	(1,027,100)	(4,054,591)
Proceeds from Sale of Notes	60,000	0	0	0	1,344,250	1,404,250
<b>Total Other Financing Sources (Uses)</b>	<b>(2,150,232)</b>	<b>(244,932)</b>	<b>435,472</b>	<b>17,986</b>	<b>3,629,208</b>	<b>1,687,502</b>
<b>Net Change in Fund Cash Balances</b>	<b>(108,737)</b>	<b>17,054</b>	<b>(9,119)</b>	<b>41,328</b>	<b>(360,874)</b>	<b>(420,348)</b>
<b>Cash Basis Fund Balance at Beginning of Year</b>	<b>2,238,870</b>	<b>1,302,847</b>	<b>523,792</b>	<b>1,148,375</b>	<b>5,436,622</b>	<b>10,650,506</b>
<b>Cash Basis Fund Balance at End of Year</b>	<b>\$2,130,133</b>	<b>\$1,319,901</b>	<b>\$514,673</b>	<b>\$1,189,703</b>	<b>\$5,075,748</b>	<b>\$10,230,158</b>
<b>Cash Basis Assets at End of Year</b>						
Cash and Cash Equivalents	<u>\$ 2,130,133</u>	<u>\$ 1,319,901</u>	<u>\$ 514,673</u>	<u>\$ 1,189,703</u>	<u>\$ 5,075,748</u>	<u>\$ 10,230,158</u>
<b>Cash Basis Fund Balances at End of Year</b>						
Reserved for Encumbrances	206,400	104,266	177,133	44,859	609,567	1,142,225
Unreserved, Undesignated	1,923,733	1,215,635	337,540	1,144,844	4,466,181	9,087,933
<b>Total Cash Basis Fund Balances</b>	<b>\$ 2,130,133</b>	<b>\$ 1,319,901</b>	<b>\$ 514,673</b>	<b>\$ 1,189,703</b>	<b>\$ 5,075,748</b>	<b>\$ 10,230,158</b>

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

**Lawrence County**  
**Statement of Cash Basis Assets and Fund Balances and Cash Receipts,**  
**Cash Disbursements and Changes in Cash Basis Fund Balances**  
**Proprietary Funds**  
**For the Fiscal Year Ended December 31, 2003**

	<b>Other Enterprise Funds</b>
Operating Cash Receipts	
Sales	\$2,014,893
Miscellaneous	75,230
Total Operating Cash Receipts	2,090,123
Operating Cash Disbursements	
Salaries and Wages	502,900
Purchased Services	601,561
Materials and Supplies	159,930
Miscellaneous	53,148
Total Operating Cash Disbursements	1,317,539
Operating Cash Receipts Over (Under)	
Operating Cash Disbursements	772,584
Nonoperating Cash Receipts (Cash Disbursements)	
Transfers In	192,107
Transfers Out	(475,359)
Changes in Net Cash Assets	489,332
Net Cash Assets	
at Beginning of Year	372,791
Net Cash Assets	
at End of Year	\$862,123
Cash Basis Assets at End of Year	
Cash and Cash Equivalents	\$862,123
Cash Basis Fund Balances at End of Year	
Unreserved, Undesignated	\$862,123

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

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**LAWRENCE COUNTY**  
**Statement of Cash Receipts, Cash Disbursements,**  
**and Changes in Fund Cash Balances (Budgetary Basis)**  
**For the Fiscal Year Ended December 31, 2003**

	General Fund				Motor Vehicle Gasoline Tax Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Budgetary Basis Receipts:</b>								
Property Taxes	\$1,705,000	\$1,858,028	\$1,858,028	\$0	\$0	\$0	\$0	\$0
Sales Taxes	5,900,000	\$5,920,413	\$5,920,413	0	0	0	0	0
Charges for Services	1,223,650	1,828,642	1,828,642	0	2,000	455	455	0
Licenses and Permits	5,050	10,456	10,456	0	0	0	0	0
Fines and Forfeitures	355,000	412,706	412,706	0	20,000	29,263	29,263	0
Intergovernmental	1,890,000	1,845,577	1,845,577	0	3,300,000	3,443,676	3,443,676	0
Interest	130,000	91,051	91,165	114	6,000	11,803	11,803	0
Other	98,410	648,761	648,762	1	2,000	39,596	39,596	0
Total Receipts	11,307,110	12,615,634	12,615,749	115	3,330,000	3,524,793	3,524,793	0
<b>Budgetary Basis Disbursements:</b>								
General Government:								
Legislative and Executive	2,898,713	4,010,578	4,026,215	(15,637)	0	0	0	0
Judicial	1,775,523	1,716,685	1,695,149	21,536	0	0	0	0
Public Safety	2,324,661	3,006,010	2,987,369	18,641	0	0	0	0
Public Works	46,921	61,748	61,748	0	3,600,000	3,600,000	3,612,005	(12,005)
Health	2,424,570	1,626,939	1,626,690	249	0	0	0	0
Human Services	196,063	290,643	282,623	8,020	0	0	0	0
Conservation and Recreation	0	68,000	68,000	0	0	0	0	0
Economic Development	0	0	0	0	0	0	0	0
Transportation	0	0	0	0	0	0	0	0
Miscellaneous	100,000	300,000	32,860	267,140	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Debt Service:								
Principal Retirement	0	0	0	0	0	0	0	0
Interest & Fiscal Charges	0	0	0	0	0	0	0	0
Total Disbursements	9,766,451	11,080,603	10,780,654	299,949	3,600,000	3,600,000	3,612,005	(12,005)
Excess of Receipts Over/ (Under) Disbursements	1,540,659	1,535,031	1,835,095	300,064	(270,000)	(75,207)	(87,212)	(12,005)
<b>Other Financing Sources (Uses):</b>								
Proceeds from the Sale of Fixed Assets	0	0	0	0	0	0	0	0
Proceeds from Notes	0	60,000	60,000	0	0	0	0	0
Advances-In	0	0	0	0	0	0	0	0
Advances-Out	0	(7,600)	(7,600)	0	0	0	0	0
Operating Transfers-In	175,000	528,836	528,836	0	0	0	0	0
Operating Transfers-Out	(1,014,241)	(2,052,688)	(2,731,468)	(678,780)	0	0	0	0
Other Sources	0	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0
Total Other Financing Sources/(Uses)	(839,241)	(1,471,452)	(2,150,232)	(678,780)	0	0	0	0
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	701,418	63,579	(315,137)	(378,716)	(270,000)	(75,207)	(87,212)	(12,005)
Fund Balance at Beginning of Year	2,128,355	2,128,355	2,128,355	0	1,663,558	1,189,005	1,189,005	0
Prior Year Encumbrances Appropriated	110,515	110,515	110,515	0	113,842	113,842	113,842	0
Fund Balance at End of Year	\$2,940,288	\$2,302,449	\$1,923,733	(\$378,716)	\$1,507,400	\$1,227,640	\$1,215,635	(\$12,005)

(Continued)

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

Public Assistance Fund				MRDD General Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$0	\$0	\$0	\$0	\$1,040,000	\$998,989	\$998,989	\$0
0	0	0	0	0	0	0	0
0	0	0	0	110,000	78,544	78,544	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
11,733,711	13,274,396	12,661,977	(612,419)	2,550,000	2,960,801	2,960,801	0
0	0	0	0	10,000	7,021	7,021	0
19,000	20,052	0	(20,052)	90,000	205,858	205,858	0
11,752,711	13,294,448	12,661,977	(632,471)	3,800,000	4,251,213	4,251,213	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	3,478,031	3,730,584	4,272,730	(542,146)
12,062,961	12,062,961	13,283,701	(1,220,740)	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
12,062,961	12,062,961	13,283,701	(1,220,740)	3,478,031	3,730,584	4,272,730	(542,146)
(310,250)	1,231,487	(621,724)	(1,853,211)	321,969	520,629	(21,517)	(542,146)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
310,250	325,763	486,563	160,800	0	17,986	17,986	0
0	0	(51,091)	(51,091)	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
310,250	325,763	435,472	109,709	0	17,986	17,986	0
0	1,557,250	(186,252)	(1,743,502)	321,969	538,615	(3,531)	(542,146)
475,267	475,267	475,267	0	1,102,084	1,102,084	1,102,084	0
48,525	48,525	48,525	0	46,291	46,291	46,291	0
\$523,792	\$2,081,042	\$337,540	(\$1,743,502)	\$1,470,344	\$1,686,990	\$1,144,844	(\$542,146)

**Lawrence County**  
*Statement of Fiduciary Net Assets*  
*As of December 31, 2003*

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	<u>Agency</u>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,526,358</u>
<i>Total Assets</i>	<u><u>\$2,526,358</u></u>
<b>Net Cash Assets</b>	<u><u>\$2,526,358</u></u>

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

**LAWRENCE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY**

Lawrence County, Ohio (the County), was settled in 1797, and it was formally established on December 20, 1816 as a County by taking portions of Gallia and Scioto Counties. The County is comprised of fourteen townships. The County is governed by a three-member Board of County Commissioners elected by the voters of the County. The County Auditor is responsible for the fiscal controls of the resources of the County that are maintained in the funds described below. The County Treasurer is the custodian of funds and the investment officer. Other officials that manage various segments of the County's operations are the Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, two Common Pleas Court Judges, and one Judge for the Probate and Juvenile Courts. All of these officials are elected. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrator of public services for the County, including each of these departments.

**Reporting Entity**

The County utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Lawrence County, this includes the Board of Mental Retardation and Developmental Disabilities, the Union Rome Sewer District, and all departments and activities that are directly operated by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) The County is able to significantly influence the programs or services performed or provided by the organization; or (2) The County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt or the levying of taxes.

The County has the following component units:

Choices, Inc., is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. The organization assists in providing housing for persons with mental retardation or developmental disabilities. The Lawrence County Board of Mental Retardation and Developmental Disabilities (MR/DD) obtains grants to subsidize the purchase of houses for Choices, Inc. Choices, Inc. then rents the houses to mentally retarded or developmentally disabled tenants. Based on the significant resources provided by the County to Choices, Inc. and Choices' sole purpose of providing housing to mentally retarded or developmentally disabled persons in Lawrence County, Choices, Inc. is a component unit of Lawrence County. Choices, Inc. operates on a fiscal year ending June 30. Separately issued financial statements can be obtained from Choices, Inc., Coal Grove, Ohio.

**LAWRENCE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (Continued)**

**Reporting Entity (Continued)**

Tri-State Industries, Inc., is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. The workshop, under a contractual agreement with the Lawrence County Board of Mental Retardation and Developmental Disabilities (MR/DD) provides sheltered employment for mentally retarded or handicapped adults in Lawrence County. The Lawrence County Board of MR/DD provides the workshop with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering services), staff to administer and supervise training programs, and other funds as necessary for the operation of the workshop. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the retarded and handicapped adults of Lawrence County, the workshop is a component unit of Lawrence County. Tri-State Industries, Inc. operates on a fiscal year ending June 30. Separately issued financial statements can be obtained from Tri-State Industries, Inc., Coal Grove, Ohio.

The County has elected to include the above component units in the accompanying basic financial statements. See also Note 2 to the Basic Financial Statements entitled *Government-Wide Financial Statements*.

The following potential component units have been excluded because the County is not financially accountable for these organizations nor are these entities for which the County approves the budget, the issuance of debt, or the levying of taxes.

- The Lawrence County Agricultural Society
- The Lawrence County Educational Service Center
- The Lawrence County Joint Vocational School
- The Lawrence County Law Library
- The Lawrence County Historical Society
- The Lawrence County Extension Service
- The Lawrence County Economic Development Corporation
- The Lawrence County Domestic Violence Task Force, Inc.
- The Lawrence County Council on Aging
- The Lawrence County Airpark

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the activity of the following districts and agencies is presented as agency funds within the County's financial statements:

Lawrence County Soil and Water Conservation District is statutorily created as a separate and distinct political subdivision of the State. The five supervisors of the Soil and Water Conservation District are elected officials authorized to contract and sue on behalf of the District. The Supervisors adopt their own budget, authorize District expenditures, hire and fire staff, and do not rely on the County to finance deficits.

Lawrence County Health District is governed by a five member Board of Health which oversees the operation of the Health District. The Board is appointed by an advisory council comprised of the president of the township trustees, mayors of participating municipalities and one County Commissioner. The Board has sole budgetary authority, and controls surpluses and deficits. The County is not legally obligated for the Health District's debt. Funding is based on a rate per taxable valuation, along with state and federal grants applied for by the District.

The Local Emergency Planning Commission is established by the State Emergency Response Commission, which designates Emergency Planning Districts within the State. Commission members are recommended by the County Commissioners and appointed by the State Emergency Response Commission. The Commission receives operating resources in the form of grants from the State.



**LAWRENCE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (Continued)**

**Reporting Entity (Continued)**

The County is involved with the following organizations that are defined as jointly governed organizations. Additional financial information concerning the jointly governed organizations is presented in Note 12.

Adams, Lawrence, Scioto Alcohol, Drug Addiction, and Mental Health Services Board  
Private Industry Council  
Southeast Ohio Emergency Medical Services  
Ironton-Lawrence County Community Action Organization  
The KYOVA Interstate Planning Commission  
Ohio Valley Regional Development Commission  
Ohio Valley Resource Conservation and Development Area, Inc.

The County is involved in the following organizations that are defined as public entity shared risk pools. Additional information concerning the public entity shared risk pools is presented in Note 13.

Buckeye Joint-County Self-Insurance Council  
County Commissioners Association of Ohio Worker's Compensation Group Rating Plan

The County is involved in the following organization that is defined as a joint venture. Additional financial information concerning the joint venture is presented in Note 14.

Scioto-Lawrence Counties Joint Solid Waste District

The County is involved with the following organization that is defined as a related organization. Additional financial information concerning the related organization is presented in Note 15.

Briggs-Lawrence County Public Library

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

The County's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific County functions or activities. The operation of each fund is accounted for within a separate set of self-balancing set of accounts.

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. The following is the County's major governmental funds:

*General Fund*

The General Fund is the general operating fund of the County and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

**LAWRENCE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Governmental Funds (Continued)**

*Motor Vehicle Gasoline Tax Special Revenue Fund*

This fund accounts for monies received from state gasoline tax and motor vehicle registration fees designated for maintenance and repair of roads and bridges.

*Public Assistance Special Revenue Fund*

This fund accounts for various federal and state grants as well as transfers from the General Fund used to provide public assistance to general relief recipients, pay their providers of medical assistance, and for certain public social services.

*MRDD General Special Revenue Fund*

This fund accounts for various federal and state grants and a property tax levy used to provide assistance and training to mentally retarded and developmentally disabled individuals.

The other governmental funds of the County account for grants and other resources, debt service, and capital projects, whose use is restricted to a particular purpose.

**Proprietary Funds**

The proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. Enterprise funds are the County's only proprietary fund type.

*Enterprise Funds*

Other Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered through user charges.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The County's only fiduciary funds are agency funds.

*Agency Funds*

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

**Basis of Presentation**

For fiscal year 2003 the County has implemented the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. However, there are no adjustments to beginning fund balances since the basis of accounting has not changed. The County's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

**LAWRENCE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets-cash basis presents the cash basis financial condition of governmental activities of the County at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the County's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the County. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general cash receipts of the County.

The Government-wide Financial Statements also displays information regarding two legally separate entity's or component units, for which the County is fiscally responsible. These two component units are Tri-State Industries, Inc. and Choices, Inc. and are described further in Note 1 to the financial statements.

**Fund Financial Statements**

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

**Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the County chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting 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 disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

For comparability purposes, the component units' financial information has been presented on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

**Cash Receipts – Exchange and Non-exchange Transactions**

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

**LAWRENCE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash Receipts – Exchange and Non-exchange Transactions (Continued)**

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a cash basis, receipts from property taxes are recognized in the year in which the taxes are received. Receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

**Cash Disbursements**

On the cash basis of accounting, disbursements are recognized at the time payments are made.

**Budgetary Process**

**Budget**

In accordance with Section 5747.53 of the Ohio Revised Code, the County Budget Commission has provided for the apportionment of undivided local government funds under an alternative method that has been approved by governmental subdivisions within the County. Under this alternative method, the County Budget Commission has waived the requirement for the Taxing Authority of a subdivision to adopt a tax budget.

**Estimated Resources**

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources that states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the County must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1 unencumbered fund balances. However, those fund balances are available for appropriations.

**Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the County Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The budget figures that appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications. Prior to year-end, the County Commissioners passed appropriations that reflected actual expenditures/expenses for the year.

**Encumbrances**

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

**LAWRENCE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents and Investments**

Cash and cash equivalents consist of the total of fund cash balances of all funds as of December 31, 2003. To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. County funds are maintained in several checking accounts as well as invested in certificates of deposit with terms of one to twelve months and a repurchase agreement. Individual fund balance integrity is maintained through the County's records. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All interest receipts are reported in the General Fund except those specifically related to those funds deemed appropriate according to Board of County Commissioners policy. For calendar year 2003, interest receipts amounted to \$113,619 in which \$91,165 was recorded in the General Fund; \$912 was recorded in the Bond Retirement Debt Service Fund; \$7,021 was recorded in the MRDD General Special Revenue Fund; \$11,803 was recorded in the Motor Vehicle Gasoline Tax Major Special Revenue Fund; and \$2,718 was recorded in Other Non-major Special Revenue Funds.

The County records all its investments at cost. For presentation on the statement of net assets -cash basis, investments of the cash management pool are considered to be cash equivalents. The County has invested in a repurchase agreement with a cost of \$8,500,000 during calendar year 2003.

Investments with original maturities of three months or less at the time they are purchased by the County are reported as cash equivalents.

**Capital Assets and Depreciation**

Capital assets (fixed assets) acquired or constructed for the County are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting, capital assets and the related depreciation are not reported separately on the financial statements.

**Compensated Absences**

Vacation and sick leave benefits are not accrued under the cash basis of accounting as previously described. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

**Long-Term Obligations**

In general, bonds, long-term loans, and capital leases are recorded as cash disbursements in the basic financial statements when paid.

**Net Cash Assets**

Net cash assets represent the difference between assets and liabilities. Net cash assets consist of cash receipts reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for grants. The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**LAWRENCE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 financial statements transfers within governmental activities or within business-type activities are eliminated.

**NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS**

**A. Primary Government**

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. The County maintains a cash pool which is used by all funds.

Interim monies can be invested or deposited in the following securities:

- A. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- B. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- C. Written purchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- D. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
- E. Time certificates of deposit or savings or deposit accounts, including, but not limited to passbook accounts;
- F. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- G. The State Treasurer's investment pool (STAROhio);
- H. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
- I. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio;

**LAWRENCE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

- J. Certain Bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
- K. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand:** At year-end, the County had \$115,431 in un-deposited cash on hand which is included as part of Net Cash Assets.

**Deposits:** At year-end, the carrying amount of the County's deposits was \$5,003,208, and the bank balance was \$6,819,864.

Of the bank balance:

- A. \$1,281,323 was covered by federal deposit insurance (FDIC);
- B. \$400,000 was collateralized with securities held by the pledging financial institution's trust department or agent in the County's name; and
- C. \$5,138,541 was considered uninsured and un-collateralized even though securities for collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the collateralization of deposits had been followed. Non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

**Investments:**

Category 1 includes investments that are insured or registered for which the securities are held by the County or its agent in the County's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the County's name. Deferred Compensation is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 2	Category 3	Carrying and Fair Value
Repurchase Agreement	\$0	\$0	\$8,500,000	\$8,500,000

**LAWRENCE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$13,618,639	
Cash on Hand	(115,431)	
Investments:		
Repurchase Agreement	<u>(8,500,000)</u>	<u>8,500,000</u>
GASB Statement No. 3	<u>\$5,003,208</u>	<u>\$8,500,000</u>

**B. Component Units**

At year-end, the carrying amount of Tri-State Industries' deposits was \$ 287,000 and the bank balance was \$295,308. Of the bank balance, \$200,000 was covered by federal depository insurance and the remaining \$95,308 was uninsured and uncollateralized.

At year-end, the carrying amount of Choices, Inc.'s deposits were \$15,318 and the bank balance was \$15,359. The bank balance was covered by federal deposit insurance.

**NOTE 4- BUDGETARY BASIS FUND BALANCES**

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances. The table below presents those differences for the County's Major Funds:

	General Fund	Motor Vehicle Gasoline Tax	Public Assistance	MRDD General
Budgetary Basis Fund Balances	\$1,923,733	\$1,215,635	\$337,540	\$1,144,844
Encumbrances	<u>206,400</u>	<u>104,266</u>	<u>177,133</u>	<u>44,859</u>
Fund Cash Balances	<u>\$2,130,133</u>	<u>\$1,319,901</u>	<u>\$514,673</u>	<u>\$1,189,703</u>

**NOTE 5 - PROPERTY TAX**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2003 for real and public utility property taxes represents collection of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) is for 2003 taxes.

2003 real property taxes are levied after October 1, 2003 on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are intended to finance 2004.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility property is assessed at 35 percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.



**LAWRENCE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 5 - PROPERTY TAX- (Continued)**

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value.

The assessed value for the taxes levied in 2003 was \$650,673,710 of which real property represented 84 percent (\$547,829,820) of the total, public utility property represented 9 percent (\$56,593,360) of the total, and tangible personal property represented 7 percent (\$46,250,530) of the total. The full tax rate for all County operations for taxes collected in 2003, was \$5.60 per \$1,000 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due by December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The Lawrence County Treasurer collects property tax on behalf of all taxing districts within the County. The Lawrence County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

**LAWRENCE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 6 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. By contracting with Buckeye Joint-County Self Insurance Council for auto, crime, liability and property insurance, the County has addressed these various types of risk.

In the event of losses, the first \$250 to \$1,000 of any valid claim depending on the type of loss, will be paid by the member. The next payment, with a maximum pay range from \$100,000 to \$2,000,000 per occurrence, will come from the self insurance pool based on the member's percentage of contribution. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments. Lawrence County does not have any ongoing financial interest or responsibility.

This jointly governed organization is a cost-sharing pool. Coverage provided to the County by the program is as follows:

<u>Policy Type</u>	<u>Annual/ Aggregate Coverages</u>	<u>Deductible</u>
General Liability	\$1,000,000/\$3,000,000	\$1,000
Property Damage Liability	\$100,000/\$100,000	\$1,000
Public Officials Liability	\$1,000,000/\$3,000,000	\$5,000
Law Enforcement	\$1,000,000/\$3,000,000	\$5,000
Auto Liability	\$2,000,000 per occurrence	\$0
Uninsured Motorists Insurance	\$25,000 per occurrence	\$0
Pollution Liability	\$10,000	\$1,000
All Risk Blanket Property	Building and Contents per Schedule	\$1,000
Flood (Zone A coverage)	\$10,000,000	\$5,000
Extra Expense	\$1,000,000	\$1,000
Personal Property of Others	\$100,000	\$1,000
Earthquake	\$10,000,000	\$25,000
Electronic Data Processing Equipment	\$500,000	\$1,000
Blanket Bond	\$250,000	\$0
Elected Officials Bond	Per Bond Schedule	\$0
Money and Securities (Food Stamps)	\$500,000	\$500
Boiler and Machinery	\$27,976,584	\$1,000
Inland Marine	Per Schedule	\$1,000
Auto Comprehensive	Per Schedule	\$100
Auto Collision	Per Schedule	\$250
Nurse Liability	\$1,000,000	\$1,000
EMT/EMTA – Paramedics	\$1,000,000/\$3,000,000	\$1,000

**LAWRENCE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 6 - RISK MANAGEMENT (Continued)**

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. For 2003, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (See Note 12). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating Counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

**NOTE 7 - PERMISSIVE SALES AND USE TAX**

In February 1983, the Tax Commissioners adopted by resolution a one percent Permissive Sales and Use Tax, and in April 1999 a one half percent Permissive Sales and Use Tax, as allowed by Sections 5739.02 and 5742.02, Revised Code. Sales and use tax revenue for 2003 amounted to \$5,920,413 and is recorded in the General Fund.

**NOTE 8 - RETIREMENT SYSTEMS**

**Ohio Public Employees Retirement System (OPERS)**

All County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
2. The member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
3. The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

Plan members, other than those engaged in law enforcement and public safety, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. Beginning in 2001, HB 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classifications consisted of sheriffs, deputy sheriffs and township police with an employee contribution rate of 10.1 percent. All other members of the OPERS law enforcement program were placed in a newly named public safety division and continue to contribute at 9.0 percent.

For plan members, other than those classified in the law enforcement or public safety divisions, the County was required to contribute 13.55 percent of covered salary for 2003. The employer contribution rate for both the law enforcement and public safety divisions was 16.70 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's contributions to OPERS for all employees for the years ended December 31, 2003, 2002, and 2001, were \$1,967,746, \$1,914,491, and \$1,946,177, respectively; 100 percent has been contributed for 2003, 2002, and 2001.

**LAWRENCE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Ohio Valley Regional Development Commission**

The Ohio Valley Regional Development Commission is a jointly governed organization that serves a twelve county economic development planning district in southern Ohio. The commission was formed to influence favorably the future economic, physical and social development of Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton Counties. Membership is comprised of elected and appointed county, municipal and township officials or their officially appointed designees, as well as members of the private sector, community action agencies and regional planning commissions. The commission is not dependent upon Lawrence County for its existence. In 2003 the County made \$9,971 in contributions to the commission.

**Ohio Valley Resource Conservation and Development Area, Inc.**

The Ohio Valley Resource Conservation and Development Area, Inc. is a jointly governed organization that is operated as a non-profit corporation. The Ohio Valley Resource Conservation and Development Area, Inc. was created to aid regional planning to participating counties. Scioto County, along with Ross, Vinton, Highland, Brown, Adams, Pike, Jackson, Gallia and Lawrence Counties each appoint three members to the thirty member Council. The Council selects an administrator to oversee operations. The Ohio Valley Resource Conservation and Development Area, Inc. received a contribution from the County of \$120 during 2003.

**NOTE 13 - PUBLIC ENTITY SHARED RISK POOLS**

**Buckeye Joint-County Self-Insurance Council**

The Buckeye Joint-County Self-Insurance Council is a public entity shared risk pool that serves Athens, Hocking, Jackson, Lawrence, Meigs, Monroe, Morgan, Noble, Perry, Pike, Vinton, and Washington counties. The Council was formed as an Ohio non-profit corporation for the purpose of establishing a shared risk pool to provide general liability, law enforcement, professional, and fleet insurance. Member counties provide operating resources to the corporation based on actuarially determined rates. The degree of control exercised by any participating government is limited to its representation on the Board. The Governing Board is composed of at least one County Commissioner from each of the participating counties. The Governing Board annually elects officers which include a President, Vice President, Second Vice President and two Governing Board Members. The expenditures and investment of funds by the officers must be approved by the Governing Board unless specific limits have been set by the Governing Board to permit otherwise.

Lawrence County does not have any ongoing financial interest or responsibility. The agreement between the County and the Council indicates that a voluntary withdrawal or termination by the County shall constitute a forfeiture of any pro rata share of the Council reserve fund. In the event of the termination of the Council, current members shall be paid in an amount they have contributed to the Council as of the last month of the Council's existence. Current calculation of the potential residual interest is therefore not possible. During 2003, Lawrence County paid \$259,766 to the Council. \$253,958 was paid for basic insurance coverage, and \$5,808 was paid for claims.

**County Commissioners Association of Ohio Workers' Compensation Group Rating Plan**

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at the meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year and each elected member shall be a County Commissioner.

**LAWRENCE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 9 - POSTEMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System (OPERS)**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and primary survivor recipients of such retirees under the Traditional and Combined Plans. However, members of the Member-Directed Plan do not qualify for post-employment health care coverage. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an "Other Post-employment Benefit (OPEB)" as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The employer contribution rate for 2003 was 13.55 percent of covered payroll for employees not engaged in law enforcement; 5.0 percent was the portion that was used to fund health care. The employer contribution rate for law enforcement employees for 2003 was 16.7 percent; 5.0 percent was used to fund health care.

Benefits are advance-funded using an entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 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 4.0 percent annually.

All investments are carried at market. 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.

The number of active contributing participants in the Traditional and Combined Plans was 364,881. The County's contributions for 2003 that were used to fund post-employment benefits were \$712,526. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December, 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired in an OPERS covered-position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The plan will also offer a spending account feature, enabling the benefit recipient to apply his or her allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

**LAWRENCE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)**

**State Teachers Retirement System**

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Benefits are funded on a pay-as-you-go basis. All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$5,590 for 2003.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund at June 30, 2002, was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and there were 105,300 eligible benefit recipients.

**NOTE 10 - DEBT OBLIGATIONS**

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying basic financial statements. However, information regarding such changes in the County's general long-term obligations during 2003 is as follows:

General Long-Term Obligations:

	<u>Outstanding</u> <u>12/31/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>12/31/03</u>
Human Services 1993 4-6.5% General Obligation Bonds	\$1,290,000	\$0	\$1,290,000	\$0
Series 2003 1.9-4.85% Office Building Refunding Bonds	0	1,344,250	4,250	1,340,000
Child Support Enforcement General Obligation Bonds - 1995 6.2%	75,000	0	25,000	50,000
Various Purpose Bonds 1999 4.90% General Obligation Bonds	600,000	0	75,000	525,000
Equipment Acquisition 2002 3.03% General Obligation Bonds	98,000	0	18,448	79,552
Real Estate Acquisition 2002 4.02% General Obligation Bonds	110,000	0	9,154	100,846
Real Estate Assessment 2002 5% General Obligation Bonds	<u>680,000</u>	<u>0</u>	<u>125,000</u>	<u>555,000</u>
Subtotal General Obligation Bonds	<u>2,853,000</u>	<u>1,344,250</u>	<u>1,546,852</u>	<u>2,650,398</u>
OPWC Promissory Note 1995 0.00%	<u>134,957</u>	<u>0</u>	<u>9,997</u>	<u>124,960</u>
Total General Long-Term Obligations	<u>\$2,987,957</u>	<u>\$1,344,250</u>	<u>\$1,556,849</u>	<u>\$2,775,358</u>

**LAWRENCE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**NOTE 10 - DEBT OBLIGATIONS (Continued)**

Enterprise Fund Obligations:

	<u>Outstanding</u> <u>12/31/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>12/31/03</u>
Sewer 1998 7.11% OWDA Loan	\$291,307	\$0	\$32,210	\$259,097
Sewer 1998 9.78% OWDA Loan*	2,698,671	0	265,069	2,433,602
Sewer 1985 2.00% OWDA Loan*	<u>953,953</u>	<u>0</u>	<u>131,549</u>	<u>822,404</u>
Subtotal OWDA Loans	<u>3,943,931</u>	<u>0</u>	<u>428,828</u>	<u>3,515,103</u>
Sewer 1995 0.00%				
OPWC Promissory Note	848,657	0	54,117	794,540
Sewer System Improvement 2002 4.03%	<u>333,000</u>	<u>0</u>	<u>61,444</u>	<u>271,556</u>
Subtotal Non OWDA	<u>1,181,657</u>	<u>0</u>	<u>115,561</u>	<u>1,066,096</u>
Total Enterprise Obligations	<u>\$5,125,588</u>	<u>\$ 0</u>	<u>\$ 544,389</u>	<u>\$4,581,199</u>

\*As restated due to the result of a prior period adjustment.

The limited tax general obligation bond was used for various County purposes. The debt will be retired from property taxes levied by the County.

The human services bond was used to repay notes for the purchase and restoration of an office building for the Department of Human Services. This bond was paid off through the issuance of Series 2003 Office Building Refunding Bonds at a lower interest rate. The Series 2003 Office Building Refunding Bonds will be retired with lease payments made by the County Department of Human Services.

The child support enforcement bond was used to repay notes from the purchase and restoration of an office building for the Child Support Enforcement Agency. This debt is being retired with lease payments made by the Child Support Enforcement Agency.

The real estate assessment bonds were / are being used to pay for the County's property reappraisal. The debt will be retired from property taxes.

The various purpose bonds were used to pay for gasoline storage tank removal and replacement, equipment and improvement, computer equipment acquisition, and courthouse improvement. The debt will be retired from property taxes.

The equipment acquisition bonds were used to upgrade the County's 911 system.

The real estate acquisition bonds were used to purchase real estate for construction of new County facilities.

The County received an Ohio Public Works Commission loan to improve storm drainage in the eastern part of the County. The debt will be paid from property taxes.

**Conduit Debt** The County has Industrial Development Revenue Bonds outstanding in the aggregate principal of \$3,500,000 at December 31, 2003 for facilities used by private corporations or other entities. The County is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the County's debt presentation. There has not been and is not any condition of default under the bonds or the related financing documents.

**LAWRENCE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 10 - DEBT OBLIGATIONS (Continued)**

Annual debt service requirements to maturity for general obligation debt, including interest of \$472,457 are as follows:

Year Ending <u>December 31</u>	General Obligation Bonds	OPWC Note
2004	\$ 479,898	\$ 9,997
2005	480,452	9,997
2006	450,669	9,997
2007	455,392	9,997
2008	281,288	9,997
2009-2013	975,156	49,985
2014-2015	<u>0</u>	<u>24,990</u>
Total	<u>\$3,122,855</u>	<u>\$124,960</u>

The County received three OWDA loans to construct a waste water treatment plant. The debt will be paid from revenues derived by the County from the operation of the waste water enterprise fund. The County received an Ohio Public Works Commission loan to make improvements on its waste water treatment plant. The debt will be paid from revenues derived by the County from the operation of the waste water enterprise fund. The sewer system improvement bonds were used for acquiring and installing equipment for the sewer system in the County.

The Sewer Enterprise Fund debt service requirements to maturity, including \$1,107,011 of interest, are as follows:

Year Ending <u>December 31</u>	OWDA <u>Loans</u>	OPWC <u>Loan</u>	Sewer System <u>Imp. Bonds</u>
2004	\$515,010	\$54,117	\$74,864
2005	520,513	54,117	74,864
2006	526,555	54,117	74,864
2007	533,186	54,117	74,864
2008	540,466	54,117	0
2009-2013	1,958,484	270,585	0
2014-2018	<u>0</u>	<u>253,370</u>	<u>0</u>
	<u>\$4,594,214</u>	<u>\$794,540</u>	<u>\$299,456</u>

**NOTE 11 - NOTES PAYABLE**

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying basic financial statements. However, a summary of the note transactions for the year ended December 31, 2003, follows:

		Outstanding <u>12/31/02</u>	Issued	Retired	Outstanding <u>12/31/03</u>
<u>General Fund:</u>					
Computer Equipment					
Acquisition Bond Anticipation					
Note	2.55%	\$20,000	\$ 0	\$20,000	\$ 0
Equipment Acquisition Bond					
Anticipation Note	1.52%	<u>0</u>	<u>60,000</u>	<u>0</u>	<u>60,000</u>
Total General Fund		<u>\$20,000</u>	<u>\$60,000</u>	<u>\$20,000</u>	<u>\$60,000</u>

The initial computer equipment acquisition bond anticipation note was issued April 10, 2000 at 5.07%, and was retired on April 4, 2001. On April 12, 2001, the County issued a new bond anticipation note in the amount of \$40,000 which matured April 12, 2002. On April 12, 2002, the County paid for \$20,000 of the note and issued a new bond anticipation note in the amount of \$20,000. It matured April 11, 2003, at which time the County paid the note off. The equipment acquisition bond anticipation note was issued March 20, 2003 at 1.52% and matures on March 19, 2004. All bond anticipation notes are backed by the full faith and credit of the County.



**LAWRENCE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS**

**Adams, Lawrence, Scioto Alcohol, Drug Addiction, and Mental Health Services (ADAMH) Board**

The ADAMH Board is responsible for the delivery of comprehensive mental health and substance abuse services in Adams, Lawrence, and Scioto counties. The Board provides no direct services but contracts for their delivery. The Board's function is to assess needs, and to plan, monitor, fund, and evaluate the services provided. The Board is managed by eighteen members, two appointed by the Commissioners of Adams County; three by the Commissioners of Lawrence County; five by the Commissioners of Scioto County; four by the Ohio Department of Drugs and Alcohol; and four by the Ohio Department of Mental Health. Each participating county's influence is limited to the number of members each appoints to the board. The Board exercises total control of the budgeting, appropriation, contracting, and management.

Revenues are provided by state and federal grants awarded to the multi-county board. Continued existence of the Board is not dependent on the County's continued participation, no debt exists, and the County does not have an equity interest in the Board.

**Private Industry Council (PIC)**

The PIC is a jointly governed organization consisting of representatives from the private and public sectors of Athens, Gallia, Hocking, Lawrence, Meigs, Perry, and Vinton Counties appointed by the County Commissioners from each county. The advisory council is the Governing Board of the PIC. The Board sets policies for the private industry council. State grants are received from the Ohio Department of Job and Family Services in the name of the Ironton-Lawrence County Community Action Organization, which acts as the council's administrative agent. The grants are disbursed among the participating counties based on population. The County does not have any financial interest or responsibility. No contributions were provided to the Board by Lawrence County during 2003.

**Southeast Ohio Emergency Medical Services (EMS)**

The EMS was organized to provide emergency medical services to four counties in southeast Ohio. A twelve member board of directors governs the service. Each county appoints three members to the Board of Directors, upon approval of the current board members. The Board of Directors, in conjunction with the finance director, budget and approve expenditures, retain responsibility for surpluses and deficits, and are responsible for any debt incurred. The EMS is not dependent upon Lawrence County for its continued existence, and the County does not maintain an equity interest. In 2003, the County paid \$1,365,187 to the EMS which primarily represents services provided to the County.

**Ironton-Lawrence County Community Action Organization**

The Ironton-Lawrence County Community Action Organization (CAO) is an IRS 501C3 non-profit organization established to plan, develop, and coordinate programs and services designed to combat problems of poverty and seek the elimination of the conditions of poverty that affect the residents of Lawrence County. The CAO administers Community Development and Litter Control Block Grants for Lawrence County as well as similar grants for the City of Ironton. The CAO Board is comprised of public officials from the County, municipalities, villages, and townships within the County. Other members are representatives of the poor in the area served and officials or members of the private sector of the community. The CAO controls its own operations and budget. In 2003, the County paid the CAO \$1,769,237 for various services which include: provision of workforce investment act services, residential development services, the planning commission, and floodplain management.

**The KYOVA Interstate Planning Commission**

The KYOVA Interstate Planning Commission was established by joint resolution adopted by the State of West Virginia and Ohio. The objectives and policies of the Commission are prescribed in the West Virginia State Code, Chapter 8, Articles 4C-4 and the Ohio Revised Code, Section 713.30 et seq. Membership is comprised of elected or appointed county and municipal officials or their officially appointed designees as determined by the three county governing bodies of Cabell and Wayne Counties, West Virginia, and Lawrence County, Ohio, and by the governing bodies of the cities of Huntington, West Virginia, and Ironton, Ohio. The Commission is not dependent upon Lawrence County for its continued existence. In 2003, the County made contributions of \$8,344 to the Commission.

**LAWRENCE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Ohio Valley Regional Development Commission**

The Ohio Valley Regional Development Commission is a jointly governed organization that serves a twelve county economic development planning district in southern Ohio. The commission was formed to influence favorably the future economic, physical and social development of Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton Counties. Membership is comprised of elected and appointed county, municipal and township officials or their officially appointed designees, as well as members of the private sector, community action agencies and regional planning commissions. The commission is not dependent upon Lawrence County for its existence. In 2003 the County made \$9,971 in contributions to the commission.

**Ohio Valley Resource Conservation and Development Area, Inc.**

The Ohio Valley Resource Conservation and Development Area, Inc. is a jointly governed organization that is operated as a non-profit corporation. The Ohio Valley Resource Conservation and Development Area, Inc. was created to aid regional planning to participating counties. Scioto County, along with Ross, Vinton, Highland, Brown, Adams, Pike, Jackson, Gallia and Lawrence Counties each appoint three members to the thirty member Council. The Council selects an administrator to oversee operations. The Ohio Valley Resource Conservation and Development Area, Inc. received a contribution from the County of \$120 during 2003.

**NOTE 13 - PUBLIC ENTITY SHARED RISK POOLS**

**Buckeye Joint-County Self-Insurance Council**

The Buckeye Joint-County Self-Insurance Council is a public entity shared risk pool that serves Athens, Hocking, Jackson, Lawrence, Meigs, Monroe, Morgan, Noble, Perry, Pike, Vinton, and Washington counties. The Council was formed as an Ohio non-profit corporation for the purpose of establishing a shared risk pool to provide general liability, law enforcement, professional, and fleet insurance. Member counties provide operating resources to the corporation based on actuarially determined rates. The degree of control exercised by any participating government is limited to its representation on the Board. The Governing Board is composed of at least one County Commissioner from each of the participating counties. The Governing Board annually elects officers which include a President, Vice President, Second Vice President and two Governing Board Members. The expenditures and investment of funds by the officers must be approved by the Governing Board unless specific limits have been set by the Governing Board to permit otherwise.

Lawrence County does not have any ongoing financial interest or responsibility. The agreement between the County and the Council indicates that a voluntary withdrawal or termination by the County shall constitute a forfeiture of any pro rata share of the Council reserve fund. In the event of the termination of the Council, current members shall be paid in an amount they have contributed to the Council as of the last month of the Council's existence. Current calculation of the potential residual interest is therefore not possible. During 2003, Lawrence County paid \$259,766 to the Council. \$253,958 was paid for basic insurance coverage, and \$5,808 was paid for claims.

**County Commissioners Association of Ohio Workers' Compensation Group Rating Plan**

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at the meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year and each elected member shall be a County Commissioner.

**LAWRENCE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**NOTE 14 - JOINT VENTURE**

**The Scioto-Lawrence Counties Joint Solid Waste District**

The Scioto-Lawrence Counties Joint Solid Waste District is jointly operated by Scioto and Lawrence counties for the purpose of making disposal of waste in the two-county area more comprehensive in terms of recycling, incinerating and landfill. The Board of Directors consists of nine members, including one County Commissioner from each County. Maintenance of the financial records pertaining to the operation of the Solid Waste District rotates between the two counties every third year. Lawrence County maintained the records in 2003.

Lawrence County contributed \$43,689 to the District during 2003. Continued existence of the District is dependent upon the County's continued participation; however, the County does not have an equity interest in the District. The District is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit or burden on the County. The financial activity of the District is presented as an agency fund due to the County serving as fiscal agent.

**NOTE 15 - RELATED ORGANIZATION**

**Briggs-Lawrence County Public Library**

The Briggs-Lawrence County Public Library is statutorily created as a separate and distinct political subdivision of the State. The Library is governed by a six member Board of Trustees appointed by the Judge of the Court of Common Pleas. While the County Budget Commission approves the budget and any tax levies the Library desires to place on the ballot, these are ministerial functions. The Trustees adopt their own appropriations, hire and fire their own staff, authorize the Library expenditures and do not rely on the County to finance deficits.

**NOTE 16 - CONTINGENT LIABILITIES**

**A. Primary Government**

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

At December 31, 2003, there are several lawsuits pending against the County. The County's legal counsel is uncertain as to the exact outcome of the lawsuits, but does not estimate any liability on the County's part.

On January 21, 2003, the County guaranteed loan payments of \$500,000 plus interest due from the Lawrence County Economic Development Corporation to the Ohio Department of Development, subject to the annual appropriation of County funds. This was for a rural industrial park loan.

**B. Component Units**

Currently, there is no pending litigation against Tri-State Industries, Inc. or Choices, Inc.

**NOTE 17 - RELATED PARTY TRANSACTIONS**

Tri-State Industries, Inc., a component unit of Lawrence County, received contributions from the County for personal services, caft survey and lease storage space rental. In 2003, these contributions were \$34,614.

Choices, Inc., a component unit of Lawrence County, received contributions from the County for rental assistance, grass cutting, state exemption and property purchases. In 2003, these contributions were \$3,202.

**LAWRENCE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**NOTE 18 - DISCONTINUED OPERATIONS**

The Lawrence County Commissioners elected to discontinue all operations of the Lawrence County General Hospital, dba River Valley Health System (the Hospital), as of January 31, 2001. A receiver was appointed to oversee the finances of the Hospital until all receivables and payables are resolved. Financial information was not available for 2002. By resolution, the County Commissioners approved the sale of the Hospital buildings on April 25, 2002. The proceeds of the sale will be used, in part, to pay the Hospital's liabilities. On March 28, 2002, by resolution, the County Commissioners authorized their attorney to approve an agreement with the U.S. Department of Agriculture regarding the repayment of the bonds owed by the River Valley Health System in the amount of approximately \$3.9 million. The agreement sets up a payment schedule for the receiver to pay on the bonds.

**NOTE 19-TRANSFERS**

**TRANSFERS OUT:**

	General Fund	Motor Vehicle Gasoline Tax	Public Assistance	Other Governmental Funds	Other Enterprise Funds	Total:
General Fund	\$0	\$0	\$0	\$528,836	\$0	\$528,836
Public Assistance Major Special Revenue Fund	325,763	0	0	160,800	0	486,563
MRDD General Major Special Revenue Fund	0	0	0	17,986	0	17,986
Other Governmental Funds	2,405,705	244,932	51,091	319,478	283,252	3,304,458
Other Enterprise Funds	0	0	0	0	192,107	192,107
Total:	<u>\$2,731,468</u>	<u>\$244,932</u>	<u>\$51,091</u>	<u>\$1,027,100</u>	<u>475,359</u>	<u>\$4,529,950</u>

Transfers are used to move revenues from the fund that collects them in accordance with statute or budget to the fund that is required to expend them in accordance with statute or budget; to segregate money for anticipated capital projects; to provide resources for current operations; or to service debt.

**NOTE 20-CONSTRUCTUAL COMMITMENTS**

The following contracts were awarded for the Decatur Fire Station Project:

Heaberlin HVAC	\$ 10,834
West End Electric	15,898
United Plumbing	24,600
Doug Conley General Contractor	<u>129,331</u>
Total Contract Commitments	<u>\$180,663</u>

**NOTE 21- SUBSEQUENT EVENTS**

On July 1, 2004, the County awarded a resurfacing contract to The Shelly Company for \$818,000.

**LAWRENCE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 22- COMPLIANCE**

The following issues of non-compliance were noted:

1. Ohio Admin. Code Section 117-2-3 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. The County did not prepare its financial statements in conformance with generally accepted accounting principles.
2. Ohio Rev. Code Section 5705.39 states total appropriations should not exceed estimated revenue. However, the County had several funds in which the total appropriation amount exceeded the estimated revenue.
3. Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. However, the County had several funds in which the amount expended exceeded the approved appropriations.
4. The County had two major programs selected that were tested for compliance with federal guidelines. The two programs tested were: Community Development Block Grant, CFDA #14.228 and the Workforce Investment Act (WIA) Cluster, CFDA #'s 17.258, 17.259 and 17.260. As a result of that testing, non-compliance was noted in the following areas:

Community Development Block Grant:  
Cash Management

Workforce Investment Act:  
Allowable Costs, Subrecipient Monitoring, and Reporting

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## LAWRENCE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
Nutrition Cluster:			
School Breakfast Program	05PU	10.553	\$ 19,256
National School Lunch Program	LLP4	10.555	29,838
Food Distribution Program	N/A	10.550	<u>9,949</u>
Total Nutrition Cluster			59,043
<i>Direct Program:</i>			
Solid Waste Management Grant	N/A	10.762	<u>10,000</u>
Total United States Department of Agriculture			69,043
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant- Small Cities Program			
	B-F-01-040-1	14.228	156,872
	B-C-01-040-1	14.228	79,194
	B-F-02-040-1	14.228	<u>107,300</u>
Total Community Development Block Grant-Small Cities Program			343,366
HOME Investment Partnership Program	B-C-01-040-2	14.239	<u>36,663</u>
Total United States Department of Housing and Urban Development			380,029
<b>UNITED STATES DEPARTMENT OF JUSTICE</b>			
<i>Direct Program:</i>			
Criminal Justice Block Grant Sheriff Forestry	N/A	16.573	13,854
<i>Passed through the Governor's Office of Criminal Justice Services:</i>			
Byrne Formula Grant Program-Lawrence Drug Task Force	DGA01/DGD02	16.579	44,594
Crime Victims Assistance Grant	02/03VZGENE051	16.575	58,940
Violence Against Women Formula Grant	WF-VA2-8425/8723	16.588	184
	WF-VA1-8847	16.588	<u>1,351</u>
Total Violence Against Women Formula Grant			1,535
Local Law Enforcement Block Grants Program	LELEB	16.592	<u>498</u>
Total United States Department of Justice			119,421
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education-Grants to States-VIB	6B-SF-2002-P	84.027	13,502
	6B-SF-2003-P		48,974
	6B-SF-2004		<u>750</u>
Total Special Education-Grants to States			63,226
Special Education-Preschool Grants	PG-S1-2003-P	84.173	17,486
	PG-S1-2004		<u>3,829</u>
Total Special Education-Preschool Grants			21,315
Total Special Education Cluster			84,541
Innovative Education Program Strategies	C2S1	84.298	<u>321</u>
Total United States Department of Education			84,862

**LAWRENCE COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
**(Continued)**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Pass-Through Entity's Number	Federal CFDA Number	Disbursements
<b>UNITED STATES DEPARTMENT OF LABOR</b>			
<i>Passed Through Ohio Department of Job and Family Services:</i>			
Workforce Investment Act (WIA) Cluster:			
Workforce Investment Act-Youth	N/A	17.259	737,125
Workforce Investment Act-Adult	N/A	17.258	528,887
Workforce Investment Act-Dislocated Worker	N/A	17.260	<u>326,386</u>
Total Workforce Investment Act (WIA) Cluster:			1,592,398
Workforce Investment Act- National Reserve	N/A	17.246	<u>250,680</u>
Total United States Department of Labor			1,843,078
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
<i>Passed Through Ohio Department of Youth Services:</i>			
Americorps- Youth and Communities in Partnership	YCP01502	94.006	<u>15,438</u>
Total Corporation for National and Community Service			15,438
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Social Services Block Grant Title XX	MR 44	93.667	87,230
Medical Assistance Program-Title XIX	4400017	93.778	<u>609,049</u>
Total United States Department of Health and Human Services			696,279
<b>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Passed Through Ohio Emergency Management Agency:</i>			
State Domestic Preparedness Equipment Support Program	J809	97.004	27,800
Emergency Management Performance Grant:			
Terrorism Consequence Management Preparedness Assistance Grant	J733	97.042	1,466
Emergency Management Performance Grant Federal	J732	97.042	<u>36,482</u>
Total Emergency Management Performance Grant			37,948
Pre-Disaster Mitigation	K113	97.047	1,500
State and Local All Hazards Emergency Operations Planning	K273	97.051	24,936
Public Assistance Grant	1453-DR-087-99087	97.036	12,499
	1453-DR-087-08C5	97.036	<u>26,770</u>
Total Public Assistance Grant			39,269
Total United States Department of Homeland Security			<u>131,453</u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b><u>\$ 3,339,603</u></b>

The Notes to the Schedule of Federal Awards Expenditures are an integral part of this Schedule.



**LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2003**

**NOTE A- SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of the activity of the County's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B- SUBRECIPIENTS**

The County passes-through certain Federal assistance received from the United States Department of Housing and Urban Development and the United States Department of Labor to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under OMB Circular A-133, the County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

**NOTE C- COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development (ODOD). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2003, the gross amount of loans outstanding under this program was \$547,630. There were no new loans made during calendar year 2003.

**NOTE D- MATCHING REQUIREMENTS**

Certain Federal programs require that the County contribute non-federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-federal matching funds is not included in the Schedule.

**NOTE E- TITLE XIX**

The expenditures for this program were determined by using the actual reimbursements received for 2003 billings to determine expenditures made during 2003.

**LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES, CONTINUED  
DECEMBER 31, 2003  
(Continued)**

**NOTE F- CHILD NUTRITION CLUSTER**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE G- U.S. DEPARTMENT OF HOMELAND SECURITY FEDERAL AWARDS**

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of other Federal agencies related to homeland security. Effective January 24, 2003, the Department began to administer certain Federal awards the County previously received from other Federal agencies. The accompanying Schedule of Federal Awards Expenditures reports all such 2003 award amounts under the Department's Catalog of Federal Domestic Assistance (CFDA) numbers. The purposes and compliance requirement of these programs has not changed. A comparison of the Federal agencies' and CFDA numbers the County reported in its 2002 Schedule of Federal Awards Expenditures compared with the Department's CFDA numbers reported in the 2003 Schedule follows:

<b>Previous Federal Agency</b>	<b>CFDA No. used in 2002</b>	<b>Homeland Security CFDA No. used for 2003</b>
U.S. Department of Justice	16.007	97.004
Federal Emergency Management Agency	83.552	97.042
Federal Emergency Management Agency	83.557	97.047
Federal Emergency Management Agency	83.562	97.051



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Lawrence County  
111 South 4<sup>th</sup> Street  
Ironton, Ohio 45638

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lawrence County, Ohio (the County), as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 27, 2005, which noted the County prepared its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03(B). In addition, there was no audit completed for the financial statements of Tri State Industries, a component unit of the County. Therefore we did not opine on the County's aggregate discretely-presented component units. Except as regards Tri State Industries, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 2003-001 through 2003-003. However, we also noted certain immaterial instances of noncompliance that we have reported to the County's management in a separate letter dated January 27, 2005.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the County's management in a separate letter dated January 27, 2005.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

This report is intended solely for the information and use of management, the Board of County Commissioners, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

January 27, 2005



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Lawrence County  
111 South 4<sup>th</sup> Street  
Ironton, Ohio 45638

To the Board of County Commissioners:

#### Compliance

We have audited the compliance of Lawrence County, Ohio (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

As described in items 2003-004 through 2003-007 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding cash management, subrecipient monitoring, allowable costs, and reporting that are applicable to its Community Development Block Grant and Workforce Investment Act Grant. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003. We also noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the County in a separate letter dated January 27, 2005.

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### Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2003-008 and 2003-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated January 27, 2005.

This report is intended for the information and use of management, the Board of County Commissioners, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

January 27, 2005

**LAWRENCE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2003**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Disclaimer on discretely presented component units, unqualified on other opinion units
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Community Development Block Grant, CFDA #14.228 – Small Cities Program Workforce Investment Act (WIA) Cluster, CFDA #'s 17.258, 17.259 and 17.260
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**LAWRENCE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2003**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the County prepare its annual financial report in accordance with generally accepted accounting principles.

**FINDING NUMBER 2003-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.39 provides that the total appropriation from each fund shall not exceed the total estimated resources. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded estimated resources at March 13, 2003 in the Children Services Fund by \$228,154 (25%). Appropriations exceeded estimated resources at August 31, 2003 in the Children Services Fund by \$228,154 (25%) and the EMS Fund by \$399,779 (32%). Appropriations also exceeded estimated resources at December 31, 2003 in the Children's Services Fund by \$233,453 (26%); the EMS Fund by \$239,730 (17%); and the Centennial Fund by \$2,600 (9%). Not properly monitoring estimated resources and appropriations could result in fiscal problems for the County in the event that expenditures exceed available resources.

We recommend the County Auditor more closely monitor estimated resources versus appropriations.



**LAWRENCE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2003**  
**(Continued)**

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

**FINDING NUMBER 2003-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures exceeded appropriations at December 31, 2003 in the Open Door School Fund by \$542,146 (15%); the Public Assistance Fund by \$1,272,232 (11%); the CHIPS Fund by \$39,663 (100%); and the OWDA Fund by \$256,193 (44%). These variances were determined using the original appropriation measure and amendments through the year. The County Auditor prepared a final appropriation, after year end, to simply match final expenditures to appropriations. This is not a proper budgeting mechanism and the accompanying budgetary presentation has been adjusted to exclude the final amendment. Expenditures also exceeded appropriations at the legal level of control on September 30, 2003 in the K00-K07 Fund by \$4,957 (50%). Expenditures also exceeded appropriations at the legal level of control on December 31, 2003 in the A001-C03 Fund by \$5,381 (45%); the A002-F06 Fund by \$2,454 (22%); the A006-A02 Fund by \$217,073 (21%); the K000-K07 Fund by \$10,287 (103%); the Y024-S06 Fund by \$85,641 (7%); the O000-C03 Fund by \$165,958 (63%); and the P000-P06 Fund by \$6,237 (9%). Spending more than what is appropriated will result in fiscal difficulty and negative fund balances.

We recommend the County Auditor not approve expenditures in excess of appropriations unless a proper amendment has been posted.

**3. FINDINGS FOR FEDERAL AWARDS**

Finding Number	2003-004
CFDA Title and Number	Community Development Block Grant – CFDA # 14.228
Federal Award Number/Year	B-C-01-040-1, B-F-01-040-1, B-F-02-040-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

**Noncompliance Citation - Cash Management**

Office of Housing and Community Partnership Financial Management Rules and Regulations, Section (A) (3) (f), states the grantees must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum draw downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the Fifteen Day Rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days.

Drawdowns were not expended within 15 days to a fund balance of less than \$5,000 for 5 of the 6 drawdowns of grant funding received during the audit period. Disbursements were made up to several months after the 15 day limitation had expired resulting in noncompliance. Fund cash balances did not fall below \$47,000 at any time during 2003.

We recommend drawdowns be monitored to ensure that funds are expended within 15 days of receipt.

LAWRENCE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2003  
(Continued)

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

Finding Number	2003-005
CFDA Title and Number	Work Force Investment Act - CFDA# 17.258, 17.259 and 17.260
Federal Award Number/Year	2002- 2003
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

**Noncompliance Citation – Subrecipient Monitoring**

20 C.F.R. Section 667.410(a) details the roles and responsibilities for all recipients and subrecipients of funds under the Workforce Investment Act Title I in general. Each recipient and subrecipient must conduct regular oversight and monitoring of its Workforce Investment Act activities and those of its subrecipients and contractors in order to:

- (1) Determine that expenditures have been made against the cost categories and within the cost limitations specified in the Act and the regulations in this part;
- (2) Determine whether or not there is compliance with other provisions of the Act and the Workforce Investment Act regulations and other applicable laws and regulations; and
- (3) Provide technical assistance as necessary and appropriate.

The Lawrence County Community Action Organization is the only subrecipient of Lawrence County for the Workforce Investment Act grant. The Lawrence County Department of Jobs and Family Services contracts with Ohio University for the provision of on-going coordination and oversight of its Workforce Investment Act program. This contract includes provisions that Ohio University shall maintain indirect responsibility for monitoring Lawrence County Workforce programs as they relate to the Workforce Investment Act. However, documentation was not maintained by the Lawrence County Department of Jobs and Family Services to indicate the extent of monitoring procedures performed. In order to ensure compliance with Subrecipient Monitoring requirements, a policy for monitoring subrecipients should be developed and detailed documentation of monitoring procedures performed should be maintained.

We recommend the Lawrence County Department of Jobs and Family Services develop a method/policy for monitoring its subrecipient. We further recommend the Lawrence County Department of Jobs and Family Services monitor its subrecipient in accordance with the policy developed and maintain supporting documentation to verify the performance of monitoring procedures. Monitoring procedures may include regularly scheduled site visits, unscheduled site visits, independent compliance reviews, review and follow up (if necessary) of contracting agencies audit report and findings (if any), etc. The Lawrence County Department of Jobs and Family Services should document who performed the monitoring activities, the date, who they spoke with, what was reviewed, and the results of the review. This would aid the department in documenting that they are complying with the subrecipient monitoring requirements. The Lawrence County Department of Jobs and Family Services should also review all its subrecipient monitoring responsibilities listed in OMB Circular A-133 § 400(d) and assure it complies with all these requirements.

LAWRENCE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2003  
(Continued)

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

Finding Number	2003-006
CFDA Title and Number	Work Force Investment Act (WIA) - CFDA# 17.258, 17.259 and 17.260
Federal Award Number/Year	2002- 2003
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

**Questioned Costs – Allowable Costs**

OMB Circular No. A-87, Attachment A, Section C.1.j provides that costs must be adequately documented. Also, OMB Circular No. A-87, Attachment A, Section C.3.a provides that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

The Lawrence County Department of Jobs and Family Services contracted with Ohio University, Collins Career Center, the Lawrence County Community Action Organization, and the Lawrence County Economic Development Corporation for provisions of WIA services. The contracts with these vendors required submission of proper invoicing and documentation. A review of expenditures to these subrecipients/vendors noted charges against the three federal programs under WIA which were not adequately documented; Adult (CFDA # 17.258), Youth (CFDA # 17.259), and Dislocated Workers (CFDA # 17.260). Ohio University, Lawrence County Economic Development Corporation and Collins Career Center submitted bills to the County for WIA services in total but did not differentiate amounts to be charged to each separate program. As a result, the County could not determine if the services involved were charged to the various programs in accordance with the relative benefits received, as required. We could not determine this either. We interviewed Mrs. Halleck of the Lawrence County Department of Jobs and Family Services who indicated that these entities do not differentiate on their bills how each request relates to these programs. She stated she took the same month's bill from the Lawrence County Community Action Organization who billed based on costs related to each program, and she calculated the percentage of the total for each program on that bill and allocated the expenditures on the bills from Ohio University, Lawrence County Economic Development and Collins Career Center to each program based on that percentage. We randomly selected an expenditure and we were unable to verify this calculation. We then scanned all invoices from these vendors and determined the sum of billings which did not differentiate the relative program benefit was \$327,848. We further noted adjustments, which stated "Overpayment", to the WIA expenditures in the amount of \$2,307. Although these are immaterial to the overall total expenditures for consideration of undocumented expenditures we will include these in our recommendation.

OMB Circular No. A-133, Subpart A, Section 105 defines questioned costs in part as a cost that is questioned by the auditor because of an audit finding where the costs, at the time of the audit, are not supported by adequate documentation. The Lawrence County Department of Jobs and Family Services paid contract costs to Collins Career Center, Ohio University, and the Lawrence County Economic Development Corporation for contracts without documentation to support costs claimed and services provided to each separate program. Consequently, as defined in OMB Circular No. A-133, we are questioning \$330,155 paid to the Collins Career Center, Ohio University and the Lawrence County Economic Development Corporation. A total of \$2,307 of this total relates to undocumented adjustments in the expenditure line items of the WIA program.

Funding may be jeopardized when expenditures are not allowable due to reasonableness or lack of supporting documentation. We recommend the Lawrence County Department of Jobs and Family Services monitor contract expenditures and require vendors to submit bills that differentiate amounts to be charged to each separate program before payment is made. We further recommend the Lawrence County Department of Jobs and Family Services contact the state to gain guidance on future contract expenditures.

**LAWRENCE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2003**  
**(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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Finding Number	2003-007
CFDA Title and Number	Work Force Investment Act - CFDA# 17.258, 17.259 and 17.260
Federal Award Number/Year	2002- 2003
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

**Noncompliance Citation – Reporting**

Section 185 (e)(1) of the Workforce Investment Act (WIA) requires each local board in the State to submit quarterly financial reports to the Governor with respect to programs and activities carried out under this title. Such reports shall include information identifying all program and activity costs by cost category in accordance with generally accepted accounting principles and by year of the appropriation involved.

20 C.F.R. Section 667.300 (c)(3) states that reported expenditures and program income, including any profits earned, must be on the accrual basis of accounting and cumulative by fiscal year of appropriation. If the recipient's accounting records are not normally kept on the accrual basis of accounting, the recipient must develop accrual information through an analysis of the documentation on hand.

The Ohio Department of Jobs and Family Services uses accrual information counties enter into the QUIC system to report GAAP information to the Federal government.

During 2004, \$329,913 in Workforce Investment Act expenditures were made for services which were rendered during the period October 2003 through December 2003. These amounts were not included as an accrual on the County's JFS 02827 Report (Jobs and Family Services Public Assistance Fund Certification Sheet). This resulted in accrual amounts not conforming to generally accepted accounting principles.

We recommend the Lawrence County Department of Jobs and Family Services develop a method of reporting accruals which conforms to generally accepted accounting principles.

**LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OMB CIRCULAR A -133 § .505**

**DECEMBER 31, 2003**

**(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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Finding Number	2003-008
CFDA Title and Number	Work Force Investment Act - CFDA# 17.258, 17.259 and 17.260
Federal Award Number/Year	2002- 2003
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

**Reportable Condition – Monitoring of Budget vs. Actual Costs**

The Lawrence County Department of Jobs and Family Services has contracted with the Ironton – Lawrence County Area Community Action Organization, Inc., Ohio University-Southern Campus, the Lawrence County Economic Development Corporation, and Collins Career Center for the provision of Workforce Investment Act Services. Included in these contracts are budgets which detail the budgeted expenses for the duration of the contracts. The contracts provide for monthly billings to be submitted for reimbursements. The Lawrence County Department of Jobs and Family Services does not have a process/method for comparing budget to actual costs. This could result in an inability to determine whether funds are being used for the items, goods and services provided for in the agreement.

We recommend the Lawrence County Department of Jobs and Family Services require its contracted entities to itemize their billings by budget category, presenting amounts since the last billing and cumulative fiscal year amounts. We further recommend the Lawrence County Department of Jobs and family Services perform comparisons of budget to actual costs for its contracts for the provision of Workforce Investment Act services. This comparison should be done at a minimum on a quarterly basis.

Finding Number	2003-009
CFDA Title and Number	Work Force Investment Act - CFDA# 17.258, 17.259 and 17.260
Federal Award Number/Year	2002- 2003
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

**Reportable Condition – WIA Funding**

The State changed the process by which the County could obtain Workforce Investment Act funding from a quarterly request and monthly advance process to a weekly draw down process in July, 2002. The County is striving to follow the prescribed State system that was updated July, 2002 to allow for compliance with cash management requirements in making disbursements to the Ironton-Lawrence County Community Action Organization, Collins Career Center, the Lawrence County Economic Development Corporation, and Ohio University-Southern Campus which are subrecipients/vendors. Our review of the financial records of the Lawrence County Department of Jobs and Family Services after implementation of the weekly draw down process in July, 2002 indicated that insufficient funding was received from the State to cover all of the costs of the Workforce Investment Act expenditures, resulting in negative balances during the audit period. Discussions with management revealed that while the County Department of Jobs and Family Services requested sufficient funding to cover their costs, the State’s system did not disburse the requested funding. For example, on March 10, 2003, the County DJFS requested \$228,979 from ODJFS for its WIA programs. In response ODJS remitted only \$92,644 to the County. Our review of the Over/Under Reports for 2003 noted no change, which resulted in similar problems as noted in the prior audit with the WIA Weekly Drawdown process. At December 31, 2003, the Over/Under report indicated a negative balance of \$57,868 for WIA.

We recommend the Lawrence County Department of Jobs and Family Services continue to utilize the weekly draw process as well as develop realistic estimates of current needs to help ensure compliance with Cash Management requirements.

LAWRENCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
 OMB CIRCULAR A -133 § .315 (b)  
 DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Noncompliance – Ohio Rev. Code Section 117.38 – Filing Annual Report in accordance with GAAP	No	Reissued as Finding Number 2003-001.
2002-002	Noncompliance – Ohio Rev. Code Section 5705.41(D) – Certification of Funds	Yes	
2002-003	Noncompliance - Ohio Rev. Code Section 5705.36 – Estimated vs Actual Receipts	No	Partially corrected; reissued as a Management Letter comment.
2002-004	Noncompliance - Ohio Rev. Code Section 5705.39 – Appropriations exceed Estimated Receipts	No	Reissued as Finding Number 2003-002
2002-005	Finding for Recovery - Jail Inmate Account	Yes	
2002-006	WIA Cash Management	No	Reissued as Finding Number 2003-009
2002-007	CDBG Cash Management	No	Reissued as Finding Number 2003-004.
2002-008	WIA Reporting Compliance	No	Reissued as Finding Number 2003-007
2002-009	WIA Subrecipient Monitoring	No	Reissued as Finding Number 2003-005.
2002-010	OMB A-133 – Prepare Federal Schedule	Yes	

**LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
DECEMBER 31, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	No corrective action planned.	N/A	Chris Kline, Deputy County Auditor
2003-002	The Deputy County Auditor intends to monitor estimated resources and appropriations.	December 31, 2004	Chris Kline, Deputy County Auditor
2003-003	The Deputy County Auditor intends to not approve expenditures in excess of appropriations.	December 31, 2004	Chris Kline, Deputy County Auditor
2003-004	The Deputy County Auditor intends to monitor drawdowns and will strive to minimize the time period between receipt and disbursement of funds.	December 31, 2004	Chris Kline, Deputy County Auditor
2003-005	An administrator from the Lawrence County Department of Jobs and Family Services is conducting on-site monitoring. Also, the Department will develop a written policy and maintain documentation for the monitoring of subrecipients.	December 31, 2004	Jenny Halleck, Fiscal Officer Lawrence County Department of Jobs And Family Services
2003-006	The Lawrence County Department of Jobs and Family Services will monitor contract expenditures and will require documentation before payment is made. They will also contact the State to gain guidance on future contract expenditures.	December 31, 2004	Jenny Halleck, Fiscal Officer Lawrence County Department of Jobs And Family Services
2003-007	The Lawrence County Department of Jobs and Family Services often does not have access to accrual amounts during the reporting period required by the State. The Department will continue to follow state accepted procedures while continuing to encourage its subrecipients to bill as quickly as possible after the service period has ended.	December 31, 2004	Jenny Halleck, Fiscal Officer Lawrence County Department of Jobs And Family Services
2003-008	The Lawrence County Department of Jobs and Family Services will develop a method to monitor/compare budget to actual costs in regards to the contracts which have been entered into for the provision of Workforce Investment Act services. They will also begin to perform comparisons of budget to actual costs for its contract for the provision of Workforce Investment Act services.	December 31, 2004	Jenny Halleck, Fiscal Officer Lawrence County Department of Jobs And Family Services
2003-009	The Lawrence County Department of Jobs and Family Services will continue to utilize the weekly draw process as well as develop realistic estimates of current needs to help ensure compliance with Cash Management requirements.	December 31, 2004	Jenny Halleck, Fiscal Officer Lawrence County Department of Jobs And Family Services







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## **FINANCIAL CONDITION**

### **LAWRENCE 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  
MARCH 1, 2005**