



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

LAWRENCE COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

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REPORT OF INDEPENDENT ACCOUNTANTS

Lawrence County
111 South 4th Street
Ironton, Ohio 45638

To the Board of Commissioners:

We have audited the accompanying financial statements of Lawrence County, Ohio (the County), as of and for the year ended December 31, 2001. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03(B) requires the County to file its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the County prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and combined fund cash balances of Lawrence County as of December 31, 2001, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2002, 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.

We performed our audit to form an opinion on the financial statements of the County, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

May 23, 2002

LAWRENCE COUNTY
COMBINED STATEMENT OF CASH, INVESTMENTS
AND FUND CASH BALANCES
ALL FUND TYPES
AS OF DECEMBER 31, 2001

Cash and Cash Equivalents	\$ 1,662,399
Investments:	
Repurchase Agreements	<u>10,500,000</u>
Total	<u><u>\$12,162,399</u></u>

CASH BALANCES BY FUND TYPE

Governmental Funds:	
General Fund	\$ 1,681,078
Special Revenue Funds	7,400,001
Debt Service Fund	181,986
Capital Projects Funds	812,896
Proprietary Funds:	
Enterprise Funds	579,919
Fiduciary Funds:	
Expendable Trust Funds	55,802
Agency Funds	<u>1,450,717</u>
Total - Reporting Entity	<u><u>\$12,162,399</u></u>

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

LAWRENCE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Cash Receipts:						
Taxes	\$ 1,784,950	\$ 853,521	\$	\$ 100,000	\$	\$ 2,738,471
Sales Taxes	5,905,870					5,905,870
Charges for Services	1,209,212	1,065,727		30,735		2,305,674
Licenses and Permits	8,500	41,718				50,218
Fines and Forfeitures	333,924	26,626				360,550
Intergovernmental Receipts	1,768,408	24,421,543		196,028		26,385,979
Rent Revenue		47,235	188,166			235,401
Interest Revenue	339,979	132,419	2,738		2,449	477,585
All Other Receipts	488,710	759,453		15,495		1,263,658
Total Cash Receipts	11,839,553	27,348,242	190,904	342,258	2,449	39,723,406
Cash Disbursements:						
General Government:						
Executive and Legislative	4,206,262	183,486				4,389,748
Judicial	1,659,836	368,436				2,028,272
Public Safety	2,833,245	2,087,299				4,920,544
Public Works	149,920	4,774,955				4,924,875
Health	1,091,772	4,485,190				5,576,962
Human Services	206,084	15,009,488				15,215,572
Conservation-Recreation		2,132,068				2,132,068
Economic Development		11,490				11,490
Transportation		57,673				57,673
Miscellaneous	58,607					58,607
Capital Outlay				370,569		370,569
Debt Service:						
Principal Payment			813,133			813,133
Interest and Fiscal Charges			497,447			497,447
Total Cash Disbursements	10,205,726	29,110,085	1,310,580	370,569	0	40,996,960
Excess of Cash Receipts Over/ (Under) Cash Disbursements	1,633,827	(1,761,843)	(1,119,676)	(28,311)	2,449	(1,273,554)
Other Financing Receipts/(Disbursements)						
Proceeds of Notes	148,000		120,000			268,000
Operating Transfers-In	495,269	2,079,285	931,962	190,309		3,696,825
Operating Transfers-Out	(2,456,246)	(659,968)	(15,750)	(1,000)		(3,132,964)
Operating Advances-In		10,000		2,600		12,600
Operating Advances-Out	(12,600)					(12,600)
Total Other Financing Receipts/(Disbursements)	(1,825,577)	1,429,317	1,036,212	191,909	0	831,861
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing (Disbursements)	(191,750)	(332,526)	(83,464)	163,598	2,449	(441,693)
Fund Cash Balances, January 1	1,872,828	7,732,527	265,450	649,298	53,353	10,573,456
Fund Cash Balances, December 31	\$ 1,681,078	\$ 7,400,001	\$ 181,986	\$ 812,896	\$ 55,802	\$ 10,131,763

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

LAWRENCE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>Primary Government</u>
Operating Cash Receipts:			
Charges for Services	\$ 1,719,888	\$	\$ 1,719,888
Other Operating Receipts	4,602		4,602
Total Operating Cash Receipts	<u>1,724,490</u>	<u>0</u>	<u>1,724,490</u>
Operating Cash Disbursements:			
Personal Services - Salaries	483,564		483,564
Contract Services	231,760		231,760
Supplies and Materials	81,817		81,817
Capital Outlay	212,020		212,020
Other Operating Disbursements	28,278		28,278
Total Operating Cash Disbursements	<u>1,037,439</u>	<u>0</u>	<u>1,037,439</u>
Operating Income/(Loss)	<u>687,051</u>	<u>0</u>	<u>687,051</u>
Nonoperating Cash Receipts/(Disbursements):			
Intergovernmental Receipts	176,616		176,616
Transfers-In		72,118	72,118
Transfers-Out	(635,979)		(635,979)
Other Nonoperating Receipts		62,561,834	62,561,834
Other Nonoperating Disbursements		(62,870,454)	(62,870,454)
Total Nonoperating Cash Receipts/ (Disbursements)	<u>(459,363)</u>	<u>(236,502)</u>	<u>(695,865)</u>
Net Income/(Loss)	227,688	(236,502)	(8,814)
Fund Cash Balances, January 1	<u>352,231</u>	<u>1,687,219</u>	<u>2,039,450</u>
Fund Cash Balances, December 31	<u>\$ 579,919</u>	<u>\$ 1,450,717</u>	<u>\$ 2,030,636</u>

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

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LAWRENCE COUNTY

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL -
ALL BUDGETED FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$ 12,482,822	\$ 12,482,822	\$ 0
Special Revenue	29,387,160	29,437,527	50,367
Debt Service	1,242,866	1,242,866	0
Capital Projects	535,167	535,167	0
Proprietary			
Enterprise	1,901,106	1,901,106	0
Fiduciary			
Expendable Trust	2,449	2,449	0
Totals (Memorandum Only)	<u>\$ 45,551,570</u>	<u>\$ 45,601,937</u>	<u>\$ 50,367</u>

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

LAWRENCE COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY
 ALL BUDGETED FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2001

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
Governmental			
General		\$12,821,689	\$12,821,689
Special Revenue		31,462,491	31,462,491
Debt Service		1,326,330	1,326,330
Capital Projects		371,944	371,944
Proprietary			
Enterprise		1,691,655	1,691,655
Fiduciary			
Expendable Trust			0
Totals (Memorandum Only)	\$0	\$47,674,109	\$47,674,109

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

<u>Disbursements</u>	<u>Encumbrances Outstanding 12/31/01</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$12,674,572	\$147,117	\$12,821,689	\$0
29,770,053	1,703,928	31,473,981	(11,490)
1,326,330	0	1,326,330	0
371,569	375	371,944	0
1,673,418	18,237	1,691,655	0
		0	0
<u>\$45,815,942</u>	<u>\$1,869,657</u>	<u>\$47,685,599</u>	<u>(\$11,490)</u>

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LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 which 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.

A. 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:

The Lawrence County General Hospital, dba River Valley Health System (the Hospital) provides health care to Lawrence and Scioto County citizens. The Hospital was operated by a Board of Trustees as provided for under Ohio Revised Code Section 339. Members of the Board are appointed by the Lawrence County Commissioners and Judges. The hospital operations were discontinued in early 2001 (See Note 17). Separately issued financial statements for the period January 1, 2000 through January 31, 2001, can be obtained from River Valley Health System, Ironton, Ohio.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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.

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 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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.

The County is involved with the following organizations which are defined as jointly governed organizations. Additional financial information concerning the jointly governed organizations is presented in Note 11.

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

The County is involved in the following organizations which are defined as public entity shared risk pools. Additional information concerning the public entity shared risk pools is presented in Note 12.

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 which is defined as a joint venture. Additional financial information concerning the joint venture is presented in Note 13.

Scioto-Lawrence Counties Joint Solid Waste District

The County is involved with the following organization which is defined as a related organization. Additional financial information concerning the related organization is presented in Note 14.

Briggs-Lawrence County Public Library

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles, the County chose to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. 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 expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Cash Equivalents

Cash and cash equivalents consist of the total of fund cash balances of all funds as of December 31, 2001. 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 integrity is maintained through the County's records.

D. Fund Accounting

The County maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

1. Governmental Fund Types:

General Fund

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

Special Revenue Funds

These funds are used to account for proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to disbursements for specified purposes.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

1. Governmental Fund Types: (Continued)

Debt Service Fund

This fund is used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest and related costs and special assessment long-term debt principal, interest and related costs.

Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

2. Proprietary Fund Type:

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 Fund

This fund is 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.

3. Fiduciary Fund Types:

These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust Funds and Agency Funds.

Expendable Trust Fund

This fund is accounted for in essentially the same manner as governmental funds.

Agency Funds

These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

2. 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 which 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.

3. 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 which 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.

4. 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 reappropriated.

F. Property, Plant and Equipment

Fixed assets acquired or constructed for the County are recorded as disbursements. Depreciation is not recorded for these fixed assets.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Unpaid Vacation and Sick Leave

Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting described in Note 1. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. CHANGE IN REPORTING METHOD

The previous financial statements of the County were prepared in accordance with accounting principles generally accepted in the United States of America. 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, the County chose to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

3. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Cash Equivalents and Fund Cash Balances" as "Cash Balances by Fund Type".

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;

LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

3. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

- 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; and,
- 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;
- 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 \$111,944 in undeposited cash on hand which is included on the Combined Statement of Cash, Investments and Fund Cash Balances as part of Cash and Cash Equivalents.

Deposits: At year-end, the carrying amount of the County's deposits was \$1,550,455, and the bank balance was \$5,691,528.

Of the bank balance:

- A. \$1,006,553 was covered by federal depository insurance;
- B. \$250,000 was collateralized with securities held by the pledging financial institution's trust department or agent in the County's name;
- C. \$4,434,975 was considered uninsured and uncollateralized 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.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

3. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

Investments: (Continued)

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty'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 counterparty, 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.

	1	Category 2	3	Carrying Value	Market Value
Repurchase Agreement	\$0	\$0	\$10,500,000	\$10,500,000	\$10,710,420

4. 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 2001 for real and public utility property taxes represents collection of 2000 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) is for 2001 taxes.

2001 real property taxes are levied after October 1, 2001 on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2001 real property taxes are intended to finance 2002.

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. 2001 public utility property taxes became a lien December 31, 2000, are levied after October 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after October 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are 25 percent of true value.

The assessed value for the taxes collected in 2001 was \$630,126,840 of which real property represented 83 percent (\$522,283,680) of the total, public utility property represented 9 percent (\$54,838,410) of the total, and tangible personal property represented 8 percent (\$53,004,750) of the total. The full tax rate for all County operations for taxes collected in 2001, 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 FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

5. 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	\$2,000,000/\$4,000,000	\$1,000
Property Damage Liability	\$100,000/\$100,000	\$1,000
Public Officials Liability	\$2,000,000/\$3,000,000	\$1,000
Law Enforcement	\$2,000,000/\$3,000,000	\$1,000
Auto Liability	\$2,000,000 per occurrence	\$0
Uninsured Motorists Insurance	\$1,000,000 per occurrence	\$0
Pollution Liability	\$10,000	\$1,000
All Risk Blanket Property	Building and Contents per Schedule	\$500
Flood (Zone A coverage)	\$10,000,000	\$5,000
Extra Expense	\$1,000,000	\$500
Personal Property of Others	\$100,000	\$500
Earthquake	\$25,000,000	\$25,000
Electronic Data Processing Equipment	\$500,000	\$500
Blanket Bond	\$250,000	\$0
Elected Officials Bond	Per Bond Schedule	\$0
Money and Securities (Food Stamps)	\$500,000	\$500
Boiler and Machinery	\$25,000,000	\$500
Inland Marine	Per Schedule	\$100
Auto Comprehensive	Per Schedule	\$100
Auto Collision	Per Schedule	\$250
Nurse Liability	\$2,000,000	\$1,000
EMT/EMTA – Paramedics	\$2,000,000/\$4,000,000	\$1,000

LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

<u>Property</u>	<u>Building/Contents</u>	<u>Deductible</u>
Courthouse	\$9,765,000/\$2,581,000	\$100
County Jail	\$1,289,000/\$161,000	\$100
County Garage	\$296,000/\$112,000	\$100
Childrens Shelter Home	\$495,000/\$63,000	\$100
Human Services	\$2,500,000/\$500,000	\$100
Health Dept.	\$350,000/\$45,000	\$100
Dog Pound Office	\$210,000/\$8,000	\$100
Sewer Administration Office	\$490,000/\$75,000	\$100
Sewer Facilities	\$3,409,000/\$550,000	\$100
Airport Terminal	\$26,000/N/A	\$100
Airport Main Terminal	\$21,000/N/A	\$100
Hanger	\$200,000/N/A	\$100
911, EMA & County Coroner	\$650,000/\$300,000	\$100
Fairgrounds	\$555,000/\$43,000	\$100
E.M.S.	\$266,000/\$30,000	\$100
W.I.C. Clinic and Storage	\$85,000/\$11,000	\$100
Soil and Water	\$150,000/\$15,000	\$100
C.S.E.A.	\$165,000/\$35,000	\$100
Children's Home Rec.	\$15,000/\$1,500	\$100

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 2001, 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.

6. 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 2001 amounted to \$5,905,870 and is recorded in the General Fund.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

7. RETIREMENT SYSTEM

Public Employees Retirement System (PERS)

All County employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members, other than those engaged in law enforcement, 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 PERS 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 2001. 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 PERS for all employees for the years ended December 31, 2001, 2000, and 1999, were \$1,946,177, \$924,339, and \$3,018,609, respectively; 100 percent has been contributed for 2001, 2000 and 1999.

State Teachers Retirement System (STRS)

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary to fund pension obligations and the County is required to contribute 9.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions to STRS for the years ended December 31, 2001, 2000, and 1999 were \$80,246, \$31,808, and \$33,844, respectively; 100 percent has been contributed for 2001, 2000 and 1999.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

7. RETIREMENT SYSTEM (Continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose Social Security or the appropriate state system. As of December 31, 2001, none have elected Social Security.

8. POSTEMPLOYMENT BENEFITS

Public Employees Retirement System (PERS)

The Public Employees Retirement System of Ohio (PERS) provides postretirement 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. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an "Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2001 was 13.55 percent of covered payroll for employees not engaged in law enforcement; 4.30 percent was the portion that was used to fund health care. The employer contribution rate for law enforcement employees for 2001 was 16.7 percent; 4.30 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 PERS' latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 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 was 411,076. The County's contributions for 2001 which were used to fund postemployment benefits were \$602,781. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

Beginning in 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

State Teachers Retirement System

Comprehensive health care benefits are provided 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. All 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.

Benefits are funded on a pay-as-you-go basis. 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. The Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$45,855 for 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund at June 30, 2000, was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and there were 99,011 eligible benefit recipients.

9. DEBT OBLIGATIONS

Changes in the County's general long-term obligations during 2001 consist of the following:

General Long-Term Obligations:

	Outstanding <u>12/31/00</u>	Additions	Reductions	Outstanding <u>12/31/01</u>
Limited Tax 1992 5.1% General Obligation Bonds	\$85,000	\$0	\$40,000	\$45,000
Human Services 1993 4-6.5% General Obligation Bonds	1,445,000	0	75,000	1,370,000
Child Support Enforcement 1995 6.2% General Obligation Bonds	120,000	0	20,000	100,000
Real Estate Assessment 1996 6.25% General Obligation Bonds	230,000	0	110,000	120,000
Various Purpose Bonds 1999 4.90% General Obligation Bonds	<u>735,000</u>	<u>0</u>	<u>65,000</u>	<u>670,000</u>
Subtotal General Obligation Bonds	<u>2,615,000</u>	<u>0</u>	<u>310,000</u>	<u>2,305,000</u>
OPWC Promissory Note 1995 0.00%	<u>154,951</u>	<u>0</u>	<u>9,997</u>	<u>144,954</u>
Total General Long-Term Obligations	<u>\$2,769,951</u>	<u>\$ 0</u>	<u>\$319,997</u>	<u>\$2,449,954</u>

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

9. DEBT OBLIGATIONS (Continued)

Enterprise Fund Obligations:

	Outstanding <u>12/31/00</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding <u>12/31/01</u>
Sewer 1998 7.11% OWDA Loan	\$329,173	\$0	\$18,283	\$310,890
Sewer 1998 9.78% OWDA Loan	2,995,887	0	142,000	2,853,887
Sewer 1998 2.00% OWDA Loan	<u>1,123,099</u>	<u>0</u>	<u>83,736</u>	<u>1,039,363</u>
Subtotal OWDA Loans	<u>4,448,159</u>	<u>0</u>	<u>244,019</u>	<u>4,204,140</u>
Sewer 1995 0.00%				
OPWC Promissory Note	<u>956,891</u>	<u>0</u>	<u>54,117</u>	<u>902,774</u>
Total Enterprise Obligations	<u>\$5,405,050</u>	<u>\$ 0</u>	<u>\$298,136</u>	<u>\$5,106,914</u>

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 debt is being 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 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 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.

Annual debt service requirements to maturity for general obligation debt, including interest of \$745,650 are as follow:

Year Ending <u>December 31</u>	General Obligation <u>Bonds</u>	OPWC <u>Note</u>
2002	\$465,940	\$9,997
2003	295,687	9,997
2004	290,168	9,997
2005	289,130	9,997
2006	263,242	9,997
2007-2011	1,127,283	49,984
2012-2017	<u>319,200</u>	<u>44,985</u>
Total	<u>\$3,050,650</u>	<u>\$144,954</u>

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

9. DEBT OBLIGATIONS (Continued)

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 enterprise fund debt service requirements to maturity, including \$2,208,146 of interest, are as follow:

<u>Year Ending December 31</u>	<u>OWDA Loans</u>	<u>OPWC Loan</u>
2002	\$582,949	\$54,117
2003	582,949	54,117
2004	582,949	54,117
2005	582,949	54,117
2006	582,949	54,117
2007-2011	2,914,744	270,585
2012-2016	582,797	270,585
2017-2018	<u>0</u>	<u>91,019</u>
	<u>\$6,412,286</u>	<u>\$902,774</u>

10. NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2001, follows:

		<u>Outstanding 12/31/00</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 12/31/01</u>
<u>General Fund:</u>					
Computer Equipment Acquisition	3.60%	\$0	\$40,000	\$0	\$40,000
Computer Equipment Acquisition	5.07%	60,000	0	60,000	0
911 Equipment Acquisition	2.69%	<u>0</u>	<u>108,000</u>	<u>0</u>	<u>108,000</u>
Total General Fund		\$60,000	\$148,000	\$60,000	\$148,000
<u>Capital Project Funds:</u>					
Real Estate Acquisition	2.75%	\$0	\$120,000	\$0	\$120,000
Real Estate Acquisition	5.34%	135,000	0	135,000	0
Total Capital Project Funds		<u>\$135,000</u>	<u>\$120,000</u>	<u>\$135,000</u>	<u>\$120,000</u>
Total All Funds		<u>\$195,000</u>	<u>\$268,000</u>	<u>\$195,000</u>	<u>\$268,000</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 will mature April 12, 2002 at which time the County has the option to pay the note in full or in part, or issue a new note.

The 911 equipment acquisition bond anticipation note was issued October 19, 2001. It will mature October 18, 2002 at which time the County has the option to pay the note in full or in part, or issue a new note.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

10. NOTES PAYABLE (Continued)

The initial real estate acquisition bond anticipation note was issued November 9, 1999 at 4.57 percent, and was retired on October 12, 2000. On October 19, 2000, the County issued a new bond anticipation note in the amount of \$135,000 which was retired on October 4, 2001. On October 19, 2001, the County issued a new bond anticipation note in the amount of \$120,000 which will mature on October 18, 2002. All bond anticipation notes are backed by the full faith and credit of the County.

11. JOINTLY GOVERNED ORGANIZATIONS

A. Adams, Lawrence, Scioto Alcohol, Drug Addiction, and Mental Health Services 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.

B. Private Industry Council

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 2001.

C. Southeast Ohio Emergency Medical Services

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 2001, the County paid \$1,329,568 to the EMS for services provided to the County.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

11. JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. 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 2001, the County paid the CAO \$113,915 for residential development services provided to the County, the planning commission, and floodplain management.

E. 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 2001, the County made contributions of \$8,344 to the Commission.

F. 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 2001 the County made \$15,743 in contributions to the commission.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

12. 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 2001, Lawrence County paid \$158,747 to the Council. \$155,147 was paid for basic insurance coverage, and \$3,600 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.

13. 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 landfilling. 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 2001.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

13. JOINT VENTURE (Continued)

The Scioto-Lawrence Counties Joint Solid Waste District (Continued)

Lawrence County contributed \$15,500 to the District during 2001. 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.

14. 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.

15. 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, 2001, 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.

B. Component Units

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

16. RELATED PARTY TRANSACTIONS

Tri-State Industries, Inc., a component unit of Lawrence County, received contributions from the County for facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its programs. In 2001, these contributions were \$25,747.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

17. 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 is not available for all of 2001. 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.

18. CONTRACTUAL COMMITMENTS

As of December 31, 2001, the County had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Finkbeiner, Pettis & Strout	DeMaria Street Force Main – Professional Services	\$1,987
Shelly Company	County Road Paving Project	\$15,061

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LAWRENCE COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
DECEMBER 31, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$	\$6,059	\$	\$6,059
National School Breakfast Program	05PU-99	10.553	18,365		18,365	
National School Lunch Program	04PU-99	10.555	28,345		28,345	
Total Nutrition Cluster			46,710	6,059	46,710	6,059
Total U.S. Department of Agriculture			46,710	6,059	46,710	6,059
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
<i>Passed Through Ohio Department of Development:</i>						
Community Development Block Grant Small Cities Program	BD000401 BP980401 BF990401 BF000401 BW990401	14.228	500,000 55,000 25,000 285,400 600,000		500,000 69,554 210,081 271,389 553,098	
Total Community Development Block Grant			1,465,400		1,604,122	
Total U.S. Department of Housing and Urban Development			1,465,400		1,604,122	
U.S. DEPARTMENT OF JUSTICE						
<i>Direct Programs:</i>						
Criminal Justice Block Grant Sheriff Forestry	N/A	16.573	11,040		11,083	
Universal Hiring Award (COPS)	N/A	16.710	123,000		123,000	
<i>Passed through the Governor's Office of Criminal Justice Services:</i>						
Crime Victims Assistance Grant	2000VAGENE336	16.575	64,298		64,298	
Lawrence Drug Task Force	2000-DG-A01-7196	16.579	54,000		54,000	
Violence Against Women Formula Grant	96-WF-VA2-8423	16.588	43,532		40,693	
Local Law Enforcement Block Grants Program	98-LE-LEB-3109	16.592	2,377		0	
Total U.S. Department of Justice			298,247		293,074	
FEDERAL EMERGENCY MANAGEMENT AGENCY						
<i>Passed Through Ohio Department of Emergency Management:</i>						
Hazard Mitigation Grant	DR 1164	83.548	760,699		856,766	
Public Assistance Grants-Federal Emergency Management Agency	DSR 33629	83.552	13,178		13,178	
Total Federal Emergency Management Agency			773,877		869,944	
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Handicapped - State Grants - Title VIB	6BSF-96	84.027	58,511		59,254	
Handicapped - Preschool Grant	PGS1-96	84.173	21,156		21,235	
Total Special Education Cluster			79,667		80,489	
Innovative Programs - Title VI	C281-97	84.298	4,032		3,632	
<i>Passed Through Ohio Department of Health:</i>						
Special Education Grants-Early Intervention (HEARTS)	831-C	84.181	73,969		84,057	
Total U.S. Department of Education			157,668		168,178	

(Continued)

LAWRENCE COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

DECEMBER 31, 2001

(Continued)

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
U.S. DEPARTMENT OF LABOR						
<i>Passed Through Ohio Department of Job and Family Services:</i>						
Workforce Investment Act (WIA):						
Youth Activities	N/A	17.255	\$422,755	\$	\$357,524	\$
Adult Programs	N/A	17.255	271,323		365,060	
Dislocated Worker	N/A	17.255	235,415		54,069	
Rapid Response	N/A	17.255	212,382		6,616	
National Reserve	N/A	17.255	633,061		903,982	
Total Workforce Investment Act			1,774,936		1,687,251	
Total U.S. Department of Labor			1,774,936		1,687,251	
U.S. DEPARTMENT OF HEALTH ADMINISTRATION/ HUMAN SERVICES						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Comprehensive Community Mental Health Services- Child Abuse Training	N/A	93.104			11	
Social Services Block Grant Title XX	MR 44	93.667	73,819		70,599	
Medical Assistance Program-Title XIX	4400017	93.778	391,205		370,257	
Total U.S. Department of Health Administration/ Human Services			465,024		440,867	
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			\$4,981,862	\$6,059	\$5,110,146	\$6,059

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

LAWRENCE COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES DECEMBER 31, 2001

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and 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 – FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities disbursed. Cash receipts from the United States Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At December 31, 2001, the County had no significant food commodities in inventory.

NOTE D – 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 Receipts and 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, 2001, the gross amount of loans outstanding under this program was \$520,145. No new loans were made during calendar year 2001.

NOTE E - 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 on the Schedule.

NOTE F – TITLE XIX

The expenditures for this program were determined by using the actual reimbursements received for expenditures made during 2001.

NOTE G – TRANSFERS OUT OF JTPA CLUSTER TO WORKFORCE INVESTMENT ACT (WIA)

The expenditures made from the JTPA Cluster under WIA were included in the total expenditures of WIA. The amount of expenditures from the JTPA Cluster under WIA was \$910,598.

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Lawrence County
111 South 4th Street
Ironton, Ohio 45638

To the Board of Commissioners:

We have audited the accompanying financial statements of Lawrence County, Ohio (the County), as of and for the year ended December 31, 2001, and have issued our report thereon dated May 23, 2002, wherein we noted that the County had not adopted accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2001-60744-001 and 2001-60744-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated May 23, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated May 23, 2002.

Lawrence County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

May 23, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS 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 4th Street
Ironton, Ohio 45638

To the Board of 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 its major federal programs for the year ended December 31, 2001. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are 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.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2001. However, we noted an immaterial instance of noncompliance that does not require inclusion in this report, that we have reported to the management of the County in a separate letter dated May 23, 2002.

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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

May 23, 2002

LAWRENCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant, CFDA #14.228 – Small Cities Program Workforce Investment Act CFDA #17.255 (Reported with the JTPA Cluster, See Note G to the Schedule of Federal Awards Receipts and Expenditures)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

LAWRENCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

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

Finding Number 2001-60744-001

Noncompliance Citation

Ohio Admin. Code Section 117-2-03(B) requires the County to file its annual financial report in pursuant to accounting principles generally accepted in the United States of America.

The County prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other legal administrative remedies may be taken against the County.

We recommend the County take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

Finding Number 2001-60744-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) states that no order or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exception to this basic requirement is provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution of ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures of the taxing authority.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

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

Finding Number 2001-60744-002 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D) (Continued)

17% of the transactions tested in 2001 were not certified by the County Auditor and/or encumbered until the time of payment. In addition, these transactions were not accompanied by a “then and now” certificate.

We recommend that no order or contracts involving the expenditure of money be made until it has been certified that the amount required has been appropriated and is in the treasury.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings related to federal awards.

LAWRENCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A -133 §.315 (b)
 DECEMBER 31, 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-60744-001	A finding for adjustment was issued under Ohio Rev. Code Section 1907.20 (C) for not disbursing Referee funds.	Yes	
2000-60744-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41 (D) for not encumbering funds until the time of payment.	No	Not Corrected: This situation was repeated in the current audit as finding 2001-60744-002.
2000-60744-003	A reportable condition was issued for the Municipal Court not producing an aggregate accounts receivable listing.	No	Not Corrected: This situation was no longer significant since the County did not report on a GAAP basis. This issue has been included in the County's Management Letter.
2000-60744-004	A reportable condition was issued for the Child Support Enforcement Agency not producing an accurate aged listing of arrearages.	Yes	

LAWRENCE COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 §.315 (c)
DECEMBER 31, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-60744-001	No corrective action plan.	N/A	Chris Kline, Deputy County Auditor
2001-60744-002	The Deputy County Auditor intends to monitor purchase orders on a continuous basis.	December 31, 2002	Chris Kline, Deputy County Auditor



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LAWRENCE COUNTY 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
JULY 9, 2002