



**Auditor of State
Betty Montgomery**

LAWRENCE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis.....	11
Statement of Activities – Cash Basis.....	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds – Cash Basis	13
Statement of Cash Basis Assets and Fund Balance and Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets – Proprietary Funds – Cash Basis	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – MRDD General Fund.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Public Assistance Fund	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Motor Vehicle Gasoline Tax Fund	18
Statement of Fiduciary Net Assets.....	19
Notes to the Basic Financial Statements.....	21
Schedule of Federal Awards Expenditures	45
Notes to the Schedule of Federal Awards Expenditures.....	49
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	51
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	53
Schedule of Findings - <i>OMB Circular A-133 § .505</i>	55
Schedule of Prior Audit Findings - <i>OMB Circular A-133 § .315(b)</i>	62
Corrective Action Plan - <i>OMB Circular A-133 § .315 (c)</i>	63

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Lawrence County
111 South 4th 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, 2004, 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 Tri-State Industries, which represent 94 percent and 89 percent, respectively, of the assets and revenues of the aggregate discretely presented component units, or Choices, Inc., which represent 6 percent and 11 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Other auditors audited those financial statements. They have furnished their reports thereon to us, and we base our opinion, insofar as it relates to the amounts included for Tri-State Industries and Choices, Inc. on the report of the other auditors.

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

Ohio Administrative Code § 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. 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, we cannot determine at this time.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position 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, as of December 31, 2004, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund, MRDD General Fund, Public Assistance Fund, and Motor Vehicle Gasoline Tax Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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 have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the County's 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 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

December 20, 2005

Lawrence County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004
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, 2004, 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 2004 are as follows:

Overall (Primary Government):

Total net assets decreased \$647,739 with Governmental Activities decreasing by \$1,408,477 and Business-Type Activities increasing by \$760,738.

Total cash receipts were \$40,193,049 in 2004.

Total program cash disbursements were \$40,840,788 in 2004.

Governmental Activities:

Total program cash receipts were \$24,385,359 in 2004, while program cash disbursements were \$39,752,141.

Program cash disbursements were primarily composed of Human Services and Health related cash disbursements which were \$14,752,129 and \$8,827,695, respectively, in 2004.

Business-Type Activities:

Total program cash receipts were \$1,875,227 for Business Activities, while corresponding cash disbursements were \$1,088,647. 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, 2004
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 2004?" 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.

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-type activities.

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

Lawrence County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004
Unaudited

Reporting the County's Most Significant Funds

Fund Financial Statements

The analysis of the County's major funds begins on page 8. 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 funds that have been presented as major governmental funds are the General Fund, the MRDD General Fund, the Public Assistance Fund, and the Motor Vehicle Gasoline Tax Fund. The County's most significant fund that has been presented as a major proprietary fund is the Union-Rome Sewer 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 to the basic financial statements entitled "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.

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 2004 compared to the prior year:

Table 1
Net Cash Assets

Assets	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2004</u>	<u>2003 - Restated</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003 - Restated</u>
Cash & Cash Equivalents	\$8,529,221	\$9,937,698	\$1,622,861	\$862,123	\$10,152,082	\$10,799,821
<i>Total Assets</i>	8,529,221	9,937,698	1,622,861	862,123	10,152,082	10,799,821
<i>Net Cash Assets</i>						
Restricted	6,722,152	7,807,565	0	0	6,722,152	7,807,565
Unrestricted	1,807,069	2,130,133	1,622,861	862,123	3,429,930	2,992,256
<i>Total Net Assets</i>	<u>\$8,529,221</u>	<u>\$9,937,698</u>	<u>\$1,622,861</u>	<u>\$862,123</u>	<u>\$10,152,082</u>	<u>\$10,799,821</u>

Total assets and net assets decreased by \$647,739 from 2003 to 2004.

Lawrence County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004
Unaudited

Table 2 shows the changes in Net Assets for the fiscal years 2004 and 2003.

Table 2
Changes In Net Cash Assets

	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>	
	<u>2004</u>	<u>2003 - Restated</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003 - Restated</u>
Cash Receipts						
<i>Program Cash Receipts</i>						
Charges For Services and Sales	\$3,074,742	\$4,295,882	\$1,875,227	\$2,014,893	\$4,949,969	\$6,310,775
Operating Grants and Contributions	21,292,617	22,345,743	-	-	21,292,617	22,345,743
Capital Grants and Contributions	18,000	845,292	-	-	18,000	845,292
Total Program Cash Receipts	24,385,359	27,486,917	1,875,227	2,014,893	26,260,586	29,501,810
<i>General Cash Receipts and Transfers</i>						
Property Taxes	3,074,703	2,857,017	-	-	3,074,703	2,857,017
Sales Taxes	6,193,441	5,920,413	-	-	6,193,441	5,920,413
Grants and Entitlements	2,061,636	1,438,823	-	-	2,061,636	1,438,823
Interest Receipts	132,791	113,619	-	-	132,791	113,619
Miscellaneous	1,857,158	1,172,428	2,410	75,230	1,859,568	1,247,658
Proceeds from Sale of Bonds	160,000	1,404,250	255,000	-	415,000	1,404,250
Rent	195,324	-	-	-	195,324	-
Transfers In (Out)	283,252	283,252	(283,252)	(283,252)	-	-
Total General Cash Receipts and Transfers	13,958,305	13,189,802	(25,842)	(208,022)	13,932,463	12,981,780
Total Cash Receipts and Transfers	38,343,664	40,676,719	1,849,385	1,806,871	40,193,049	42,483,590
Cash Disbursements						
<i>Program Cash Disbursements</i>						
General Government						
Legislative and Executive	4,105,910	4,576,080	-	-	4,105,910	4,576,080
Judicial	2,072,185	2,142,320	-	-	2,072,185	2,142,320
Public Safety	4,021,497	4,083,833	-	-	4,021,497	4,083,833
Public Works	4,065,226	3,335,875	-	-	4,065,226	3,335,875
Health	8,827,695	7,721,677	-	-	8,827,695	7,721,677
Human Services	14,752,129	14,985,092	-	-	14,752,129	14,985,092
Conservation and Recreation	282,944	531,486	-	-	282,944	531,486
Transportation	5,430	5,854	-	-	5,430	5,854
Miscellaneous	170,572	25,238	-	-	170,572	25,238
Capital Outlay	588,912	1,151,057	-	-	588,912	1,151,057
Debt Service:						
Principal Retirement	647,445	2,182,683	-	-	647,445	2,182,683
Interest and Fiscal Charges	212,196	559,069	-	-	212,196	559,069
Wastewater Treatment	-	-	1,088,647	1,317,539	1,088,647	1,317,539
Total Cash Disbursements	39,752,141	41,300,264	1,088,647	1,317,539	40,840,788	42,617,803
Increase (Decrease) In Net Cash Assets	(1,408,477)	(623,545)	760,738	489,332	(647,739)	(134,213)
Net Cash Assets at Beginning of Year	9,937,698	10,561,243	862,123	372,791	10,799,821	10,934,034
Net Cash Assets at End of Year	\$8,529,221	\$9,937,698	\$1,622,861	\$862,123	\$10,152,082	\$10,799,821

Lawrence County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004
Unaudited

Property taxes and sales taxes made up 8 percent and 16 percent, respectively, of cash receipts for governmental activities for Lawrence County in fiscal year 2004. Operating grants and contributions made up 55.5 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 governmental and business type 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 and business types activities is apparent. Almost 90 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 36 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

	2004		2003 - Restated	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
Governmental Activities				
General Government				
Legislative and Executive	\$4,105,910	(\$3,095,860)	\$4,576,080	(\$3,172,767)
Judicial	2,072,185	(1,108,845)	2,142,320	(932,013)
Public Safety	4,021,497	(2,960,255)	4,083,833	(2,742,708)
Public Works	4,065,226	(283,393)	3,335,875	162,934
Health	8,827,695	(5,075,818)	7,721,677	(3,963,943)
Human Services	14,752,129	(1,520,540)	14,985,092	(575,191)
Conservation and Recreation	282,944	(175,244)	531,486	(94,063)
Transportation	5,430	(5,430)	5,854	(5,854)
Miscellaneous	170,572	(170,572)	25,238	(19,945)
Capital Outlay	588,912	(111,184)	1,151,057	75,602
Debt Service				
Principal Retirement	647,445	(647,445)	2,182,683	(2,019,994)
Interest and Fiscal Charges	212,196	(212,196)	559,069	(525,405)
Total Cash Disbursements - Governmental Activities	<u>\$39,752,141</u>	<u>(\$15,366,782)</u>	<u>\$41,300,264</u>	<u>(\$13,813,347)</u>
Business-Type Activities				
Wastewater Treatment	<u>1,088,647</u>	<u>786,580</u>	<u>1,317,539</u>	<u>697,354</u>
Total Cash Disbursements - Business-Type Activities	<u>\$1,088,647</u>	<u>\$786,580</u>	<u>\$1,317,539</u>	<u>\$697,354</u>

Lawrence County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004
Unaudited

Business-Type Activities

Business-type activities include wastewater treatment services. Overall Net Assets increased \$760,738 from 2003 to 2004. Primarily program cash receipts support business-type activities and during 2004 program cash receipts exceeded program cash disbursements. Program receipts exceeded program disbursements for the Wastewater treatment fund in the amount of \$786,580, and general cash receipts and transfers accounted for the remainder of the increase.

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 \$41,471,570 and cash disbursements and other financing uses of \$42,880,047. 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 \$2,130,133 in 2003 to \$1,807,069 for 2004, and the MRDD General Fund cash balance went from \$1,189,703 in 2003 to \$978,708 for 2004. For the General Fund, cash disbursements exceeded cash receipts in the amount of \$323,064 and, in the MRDD General Fund, cash disbursements exceeded cash receipts in the amount of \$210,995. These factors along with cash disbursements exceeding cash receipts in the other non-major governmental funds in the amount of \$674,860 resulted in governmental fund cash balances decreasing \$1,408,477.

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, total actual receipts and other financing sources were \$13,434,893, above original budget estimates of \$11,538,442. Of this \$1,896,451 difference, property tax receipts were \$304,827 below original estimates, sales tax receipts were \$293,441 above original estimates, intergovernmental was \$741,636 above original estimates and various other receipt categories made up the remaining difference. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$13,987,984, \$553,091 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 \$691,186 during fiscal year 2004.

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, 2004 the County had \$2,391,833 in bonds and related long-term debt for Governmental Activities and \$4,568,563 in bonds and related long-term debt for Business Type Activities. As of December 31, 2004 the County had \$160,000 in short-term Equipment Acquisition Notes outstanding. For additional information regarding debt, please see Notes 12 and 13 to the basic financial statements.

Table 4 summarizes bonds and long-term notes outstanding for Governmental Activities for 2004 and 2003:

Table 4		
Outstanding Debt at December 31		
Governmental Activities		
	<u>2004</u>	<u>2003</u>
General Obligation Bonds	\$2,276,870	\$2,650,398
OPWC Promissory Note	<u>114,963</u>	<u>124,960</u>
Totals	<u>\$2,391,833</u>	<u>\$2,775,358</u>

Lawrence County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004
Unaudited

Table 5 summarizes bonds and long-term notes outstanding for Business-Type Activities for 2004 and 2003:

Table 5		
Outstanding Debt at December 31		
Business-Type Activities		
	<u>2004</u>	<u>2003</u>
OWDA Loans	\$3,365,504	\$3,515,103
OPWC Promissory Note	740,423	794,540
Sewer System Improvement Note	<u>462,636</u>	<u>271,556</u>
 Total	 <u>\$4,568,563</u>	 <u>\$4,581,199</u>

Current Financial Related Activities

As the preceding information shows, the County heavily depends on its property and sales taxpayers as well as intergovernmental monies. Since the property tax receipts do not grow at the same level as inflation, and sales tax receipts are dependent upon the economy, 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.

This page intentionally left blank.

Lawrence County
Statement of Net Assets - Cash Basis
December 31, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Tri-State Industries	Choices, Inc.
ASSETS					
Equity in Pooled Cash and Cash Equivalents	\$ 8,529,221	\$ 1,622,861	\$ 10,152,082	\$ 276,162	\$ 19,018
<i>Total Assets</i>	<u>8,529,221</u>	<u>1,622,861</u>	<u>10,152,082</u>	<u>276,162</u>	<u>19,018</u>
NET ASSETS					
Restricted for:					
Debt Service	184,299	-	184,299	-	-
Capital Projects	724,165	-	724,165	-	-
Other Purposes	5,813,688	-	5,813,688	276,162	19,018
Unrestricted	<u>1,807,069</u>	<u>1,622,861</u>	<u>3,429,930</u>	<u>-</u>	<u>-</u>
<i>Total Net Assets</i>	<u>\$ 8,529,221</u>	<u>\$ 1,622,861</u>	<u>\$ 10,152,082</u>	<u>\$ 276,162</u>	<u>\$ 19,018</u>

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

Lawrence County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2004

	Program Revenues				Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets			Component Units	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Tri-State Industries	Choices Inc.
					Governmental Activities	Business-Type Activities	Total		
Governmental Activities									
General Government:									
Legislative and Executive	\$ 4,105,910	\$ 1,007,386	\$ 2,664	\$ -	\$ (3,095,860)	\$ -	\$ (3,095,860)	\$ -	\$ -
Judicial	2,072,185	758,282	205,058	-	(1,108,845)	-	(1,108,845)	-	-
Public Safety	4,021,497	500,523	560,719	-	(2,960,255)	-	(2,960,255)	-	-
Public Works	4,065,226	36,383	3,745,450	-	(283,393)	-	(283,393)	-	-
Health	8,827,695	476,542	3,275,335	-	(5,075,818)	-	(5,075,818)	-	-
Human Services	14,752,129	247,817	12,983,772	-	(1,520,540)	-	(1,520,540)	-	-
Conservation and Recreation	282,944	-	107,700	-	(175,244)	-	(175,244)	-	-
Transportation	5,430	-	-	-	(5,430)	-	(5,430)	-	-
Other	170,572	-	-	-	(170,572)	-	(170,572)	-	-
Capital Outlay	588,912	47,809	411,919	18,000	(111,184)	-	(111,184)	-	-
Debt Service:									
Principal Retirements	647,445	-	-	-	(647,445)	-	(647,445)	-	-
Interest and Fiscal Charges	212,196	-	-	-	(212,196)	-	(212,196)	-	-
Total Governmental Activities	39,752,141	3,074,742	21,292,617	18,000	(15,366,782)	-	(15,366,782)	-	-
Business-Type Activities:									
Wastewater Treatment	1,088,647	1,875,227	-	-	-	786,580	786,580	-	-
Total Business-Type Activities	1,088,647	1,875,227	-	-	-	786,580	786,580	-	-
Total Primary Government	\$ 40,840,788	\$ 4,949,969	\$ 21,292,617	\$ 18,000	(15,366,782)	786,580	(14,580,202)	-	-
Component Unit:									
Tri-State Industries, Inc.	1,079,816	1,065,628	-	-	-	-	-	(14,188)	-
Choices, Inc.	122,992	95,135	-	-	-	-	-	-	(27,857)
Total Component Units	\$ 1,202,808	\$ 1,160,763	\$ -	\$ -	-	-	-	(14,188)	(27,857)
General Revenues:									
Property and Other Taxes Levied for:									
General Purposes					1,958,845	-	1,958,845	-	-
MRDD General Fund					1,015,858	-	1,015,858	-	-
Capital Projects					100,000	-	100,000	-	-
Sales Taxes					6,193,441	-	6,193,441	-	-
Grants and Entitlements, Not Restricted to Specific Programs					2,061,636	-	2,061,636	-	31,492
Transfers In (Out)					283,252	(283,252)	-	-	-
Proceeds from Sale of Bonds					160,000	255,000	415,000	-	-
Interest Receipts					132,791	-	132,791	3,350	65
Rent					195,324	-	195,324	-	-
Miscellaneous					1,857,158	2,410	1,859,568	-	-
Total General Revenues and Transfers					13,958,305	(25,842)	13,932,463	3,350	31,557
Change in Net Assets					(1,408,477)	760,738	(647,739)	(10,838)	3,700
Net Assets Beginning of Year - Restated - Note 3					9,937,698	862,123	10,799,821	287,000	15,318
Net Assets End of Year					\$ 8,529,221	\$ 1,622,861	10,152,082	\$ 276,162	\$ 19,018

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 Year Ended December 31, 2004

	<u>General</u>	<u>MRDD General</u>	<u>Public Assistance</u>	<u>Motor Vehicle Gasoline Tax</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts						
Property Taxes	\$ 1,855,173	\$ 1,015,858	\$ -	\$ -	\$ 203,672	\$ 3,074,703
Sales Taxes	6,193,441	-	-	-	-	6,193,441
Other Local Taxes	-	-	-	-	-	-
Charges for Services	1,388,015	13,601	-	-	1,131,013	2,532,629
Licenses and Permits	5,749	-	-	-	62,159	67,908
Fines and Forfeitures	444,535	-	-	29,670	-	474,205
Intergovernmental	2,061,636	3,025,814	11,587,916	3,745,450	2,951,437	23,372,253
Interest	122,160	3,831	-	5,422	1,378	132,791
Rent	-	-	-	-	195,324	195,324
Other	660,436	172,850	791,929	42,018	189,925	1,857,158
Total Cash Receipts	<u>12,731,145</u>	<u>4,231,954</u>	<u>12,379,845</u>	<u>3,822,560</u>	<u>4,734,908</u>	<u>37,900,412</u>
Cash Disbursements						
Current Operating						
General Government:						
Legislative and Executive	3,633,503	-	-	-	472,407	4,105,910
Judicial	1,458,025	-	-	-	614,160	2,072,185
Public Safety	2,995,106	-	-	-	1,026,391	4,021,497
Public Works	45,450	-	-	4,009,776	10,000	4,065,226
Health	2,535,440	4,463,588	-	-	1,828,667	8,827,695
Human Services	657,871	-	12,334,441	-	1,759,817	14,752,129
Conservation and Recreation	-	-	-	-	282,944	282,944
Transportation	-	-	-	-	5,430	5,430
Other	129,107	-	-	-	41,465	170,572
Capital Outlay	-	-	-	-	588,912	588,912
Debt Service:						
Principal Retirements	-	-	-	-	647,445	647,445
Interest and Fiscal Charges	-	-	-	-	212,196	212,196
Total Cash Disbursements	<u>11,454,502</u>	<u>4,463,588</u>	<u>12,334,441</u>	<u>4,009,776</u>	<u>7,489,834</u>	<u>39,752,141</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	<u>1,276,643</u>	<u>(231,634)</u>	<u>45,404</u>	<u>(187,216)</u>	<u>(2,754,926)</u>	<u>(1,851,729)</u>
Other Financing Sources and (Uses):						
Transfers In	536,148	21,365	-	-	2,841,345	3,398,858
Advances In	7,600	-	-	-	4,700	12,300
Proceeds from Sale of Notes	160,000	-	-	-	-	160,000
Transfers Out	(2,298,755)	(726)	(57,746)	-	(758,379)	(3,115,606)
Advances Out	(4,700)	-	-	-	(7,600)	(12,300)
Total Other Financing Sources and (Uses)	<u>(1,599,707)</u>	<u>20,639</u>	<u>(57,746)</u>	<u>-</u>	<u>2,080,066</u>	<u>443,252</u>
Net Change in Fund Cash Balances	<u>(323,064)</u>	<u>(210,995)</u>	<u>(12,342)</u>	<u>(187,216)</u>	<u>(674,860)</u>	<u>(1,408,477)</u>
Cash Basis Fund Balances at Beginning of Year - Restated - Note 3	<u>\$ 2,130,133</u>	<u>\$ 1,189,703</u>	<u>\$ 514,673</u>	<u>\$ 1,319,901</u>	<u>\$ 4,783,288</u>	<u>\$ 9,937,698</u>
Cash Basis Fund Balances at End of Year	<u>\$ 1,807,069</u>	<u>\$ 978,708</u>	<u>\$ 502,331</u>	<u>\$ 1,132,685</u>	<u>\$ 4,108,428</u>	<u>\$ 8,529,221</u>
CASH BASIS ASSETS AT END OF YEAR:						
Cash and Cash Equivalents	<u>\$ 1,807,069</u>	<u>\$ 978,708</u>	<u>\$ 502,331</u>	<u>\$ 1,132,685</u>	<u>\$ 4,108,428</u>	<u>\$ 8,529,221</u>
Total Assets	<u>\$ 1,807,069</u>	<u>\$ 978,708</u>	<u>\$ 502,331</u>	<u>\$ 1,132,685</u>	<u>\$ 4,108,428</u>	<u>\$ 8,529,221</u>
CASH FUND BALANCES AT YEAR END:						
Reserved for Encumbrances	\$ 230,027	\$ 38,141	\$ 138,650	\$ 149,572	\$ 359,485	\$ 915,875
Unreserved, Undesignated	1,577,042	940,567	363,681	983,113	3,748,943	7,613,346
Total Cash Basis Fund Balances	<u>\$ 1,807,069</u>	<u>\$ 978,708</u>	<u>\$ 502,331</u>	<u>\$ 1,132,685</u>	<u>\$ 4,108,428</u>	<u>\$ 8,529,221</u>

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

Lawrence County
Statement of Cash Basis Assets and Fund Balance and Cash Receipts,
Cash Disbursements and Changes in Net Cash Assets
Proprietary Funds - Cash Basis
For the Year Ended December 31, 2004

	Union-Rome Sewer Fund
Operating Cash Receipts:	
Charges for Services	\$ 1,875,227
Other	2,410
<i>Total Operating Cash Receipts</i>	<i>1,877,637</i>
Operating Cash Disbursements:	
Salaries and Wages	528,422
Contractual Services	250,157
Purchased Power	14,054
Materials and Supplies	103,186
Capital Outlay	102,274
Debt Service - Principal	74,864
Other	15,690
<i>Total Operating Cash Disbursements</i>	<i>1,088,647</i>
Excess of Operating Cash Receipts Over (Under) Operating Cash Disbursements	788,990
Non-Operating Cash Receipts (Cash Disbursements): Proceeds from the Sale of Bonds	255,000
Cash Receipts Over (Under) Cash Disbursements Before Transfers	1,043,990
Transfers Out	(283,252)
<i>Change in Net Cash Assets</i>	<i>760,738</i>
<i>Net Cash Assets at Beginning of Year</i>	<i>862,123</i>
<i>Net Cash Assets at End of Year</i>	<i>\$ 1,622,861</i>
 CASH BASIS ASSETS AT END OF YEAR:	
Cash and Cash Equivalents	\$ 1,622,861
 CASH BASIS FUND BALANCES AT END OF YEAR:	
Unreserved, Undesignated	\$ 1,622,861

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

Lawrence County
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property Taxes	\$ 2,160,000	\$ 2,336,877	\$ 1,855,173	\$ (481,704)
Sales Taxes	5,900,000	6,193,441	6,193,441	-
Charges for Services	1,133,550	1,385,648	1,388,015	2,367
Licenses and Permits	5,910	5,749	5,749	-
Fines and Forfeitures	370,000	347,213	444,535	97,322
Intergovernmental	1,320,000	1,684,975	2,061,636	376,661
Interest	70,050	122,160	122,160	-
Other	328,932	854,421	660,436	(193,985)
Total Revenues	<u>11,288,442</u>	<u>12,930,484</u>	<u>12,731,145</u>	<u>(199,339)</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	3,706,454	4,375,156	3,863,530	511,626
Judicial	1,283,245	1,479,725	1,458,025	21,700
Public Safety	2,345,056	3,062,256	2,995,106	67,150
Public Works	46,121	46,121	45,450	671
Health	2,599,100	2,549,286	2,535,440	13,846
Human Services	644,000	659,945	657,871	2,074
Other	-	119,622	129,107	(9,485)
Total Expenditures	<u>10,623,976</u>	<u>12,292,111</u>	<u>11,684,529</u>	<u>607,582</u>
Excess of Revenues Over (Under) Expenditures	<u>664,466</u>	<u>638,373</u>	<u>1,046,616</u>	<u>408,243</u>
OTHER FINANCING SOURCES AND (USES):				
Transfers In	250,000	1,184,950	536,148	1,721,098
Advances In	-	-	7,600	7,600
Bonds Issued	-	167,600	160,000	(7,600)
Transfers Out	(671,104)	(2,702,940)	(2,298,755)	404,185
Advances Out	-	-	(4,700)	(4,700)
Total Other Financing Sources and (Uses)	<u>(421,104)</u>	<u>(1,350,390)</u>	<u>(1,599,707)</u>	<u>2,120,583</u>
Net Change in Fund Balance	<u>243,362</u>	<u>(712,017)</u>	<u>(553,091)</u>	<u>2,528,826</u>
Fund Balance (Deficit) at Beginning of Year	<u>1,923,733</u>	<u>1,923,733</u>	<u>1,923,733</u>	<u>-</u>
Prior Year Encumbrances Appropriated	<u>206,400</u>	<u>206,400</u>	<u>206,400</u>	<u>-</u>
Fund Balance (Deficit) at End of Year	<u>\$ 2,373,495</u>	<u>\$ 1,418,116</u>	<u>\$ 1,577,042</u>	<u>\$ 2,528,826</u>

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

Lawrence County
*Statement of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 MRDD General Fund
 For the Year Ended December 31, 2004*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property Taxes	\$ 1,003,963	\$ 1,015,858	\$ 1,015,858	\$ -
Charges for Services	13,442	13,601	13,601	-
Intergovernmental	2,990,385	3,025,814	3,025,814	-
Interest	3,786	3,831	3,831	-
Other	188,424	172,850	172,850	-
Total Revenues	<u>4,200,000</u>	<u>4,231,954</u>	<u>4,231,954</u>	<u>-</u>
EXPENDITURES:				
Current:				
Health	<u>4,443,799</u>	<u>4,552,701</u>	<u>4,501,729</u>	<u>(50,972)</u>
Total Expenditures	<u>4,443,799</u>	<u>4,552,701</u>	<u>4,501,729</u>	<u>(50,972)</u>
Excess of Revenues Over (Under) Expenditures	<u>(243,799)</u>	<u>(320,747)</u>	<u>(269,775)</u>	<u>50,972</u>
OTHER FINANCING SOURCES AND (USES):				
Transfers In	-	21,365	21,365	-
Transfers Out	<u>-</u>	<u>-</u>	<u>(726)</u>	<u>(726)</u>
Total Other Financing Sources and (Uses)	<u>-</u>	<u>21,365</u>	<u>20,639</u>	<u>(726)</u>
Net Change in Fund Balance	(243,799)	(299,382)	(249,136)	50,246
Fund Balance (Deficit) at Beginning of Year	1,144,844	1,144,844	1,144,844	-
Prior Year Encumbrances Appropriated	<u>44,859</u>	<u>44,859</u>	<u>44,859</u>	<u>-</u>
Fund Balance (Deficit) at End of Year	<u>\$ 945,904</u>	<u>\$ 890,321</u>	<u>\$ 940,567</u>	<u>\$ 50,246</u>

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

Lawrence County
*Statement of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 Public Assistance Fund
 For the Year Ended December 31, 2004*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Intergovernmental	\$ 12,515,000	\$ 12,362,753	\$ 11,587,916	\$ (774,837)
Other	-	17,092	791,929	774,837
Total Revenues	<u>12,515,000</u>	<u>12,379,845</u>	<u>12,379,845</u>	<u>-</u>
EXPENDITURES:				
Current:				
Human Services	<u>12,515,000</u>	<u>12,644,826</u>	<u>12,473,091</u>	<u>(171,735)</u>
Total Expenditures	<u>12,515,000</u>	<u>12,644,826</u>	<u>12,473,091</u>	<u>(171,735)</u>
Excess of Revenues Over (Under) Expenditures	-	(264,981)	(93,246)	171,735
OTHER FINANCING SOURCES AND (USES):				
Transfers Out	-	-	(57,746)	(57,746)
Total Other Financing Sources and (Uses)	-	-	(57,746)	(57,746)
Net Change in Fund Balance	-	(264,981)	(150,992)	113,989
Fund Balance (Deficit) at Beginning of Year	337,540	337,540	337,540	-
Prior Year Encumbrances Appropriated	<u>177,133</u>	<u>177,133</u>	<u>177,133</u>	<u>-</u>
Fund Balance (Deficit) at End of Year	<u>\$ 514,673</u>	<u>\$ 249,692</u>	<u>\$ 363,681</u>	<u>\$ 113,989</u>

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

Lawrence County
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Motor Vehicle Gasoline Tax Fund
For the Year Ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Fines and Forfeitures	\$ 27,166	\$ 29,670	\$ 29,670	\$ -
Intergovernmental	3,429,398	3,745,450	3,745,450	-
Interest	4,964	5,422	5,422	-
Other	38,472	42,018	42,018	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	3,500,000	3,822,560	3,822,560	-
EXPENDITURES:				
Current:				
Public Works	4,000,000	4,304,267	4,159,348	144,919
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	4,000,000	4,304,267	4,159,348	144,919
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	(500,000)	(481,707)	(336,788)	(144,919)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	(500,000)	(481,707)	(336,788)	(144,919)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance (Deficit) at Beginning of Year	1,215,635	1,215,635	1,215,635	-
	<hr/>	<hr/>	<hr/>	<hr/>
Prior Year Encumbrances Appropriated	104,266	104,266	104,266	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance (Deficit) at End of Year	<u>\$ 819,901</u>	<u>\$ 838,194</u>	<u>\$ 983,113</u>	<u>\$ (144,919)</u>

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

Lawrence County
Statement of Fiduciary Net Assets
As of December 31, 2004

	<u>Agency Fund</u>
ASSETS	
Equity Pooled in Cash and Cash Equivalents	\$ 2,499,125
<i>Total Assets</i>	<u>\$ 2,499,125</u>
Net Cash Assets	<u>\$ 2,499,125</u>

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

This page intentionally left blank.

LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

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, 2004

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, 2004

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 14.

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 15.

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 16.

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 17.

Briggs-Lawrence County Public Library

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lawrence County have been prepared in following the cash accounting basis. This is a comprehensive basis of accounting other than generally accepted accounting principals (GAAP). The accompanying financial statements omit assets, liabilities, fund equities, and disclosures. The more significant accounting policies are described below.

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 are the County's major governmental funds:

LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

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.

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.

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.

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.

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. The following is the County's major proprietary fund:

Union-Rome Sewer Fund

The Union-Rome Sewer 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. The County's Union-Rome Sewer Fund accounts for wastewater treatment services for the County.

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.

LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the 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 display information regarding two legally separate entities 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).

LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process (Continued)

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.

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, 2004. 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 2004, interest receipts amounted to \$132,791 in which \$122,160 was recorded in the General Fund; \$3,831 was recorded in the MRDD General Special Revenue Fund; \$5,422 was recorded in the Motor Vehicle Gasoline Tax Major Special Revenue Fund; and \$1,378 was recorded in All Other Governmental 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 invested in a repurchase agreement with a cost of \$9,300,000 during calendar year 2004.

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.

LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 - RESTATEMENT OF FUND BALANCE

The beginning of the year fund balance in the Other Governmental Funds has been restated due to misclassification of the Appalachian Family and Children First Council Fund (B52) and the Recorder Housing Trust Fund (B86) as Special Revenue Funds in the December 31, 2003 financial statements instead of Agency Funds. The following shows the restatement of the beginning fund balance:

Beginning Other Governmental Funds Balance	\$ 5,075,748
Beginning Appalachian Family and Children First Council Fund Balance	(234,852)
Beginning Recorder Housing Trust Fund Balance	<u>(57,608)</u>
Restated Beginning Other Governmental Funds Balance	<u><u>\$ 4,783,288</u></u>

Beginning Governmental Activities Net Assets	\$ 10,230,158
Beginning Appalachian Family and Children First Council Fund Balance	(234,852)
Beginning Recorder Housing Trust Fund Balance	<u>(57,608)</u>
Restated Beginning Governmental Activities Net Assets	<u><u>\$ 9,937,698</u></u>

NOTE 4 - RECLASSIFICATION OF FUND

The Union Rome Sewer Equipment Bond Fund (029) was classified as a Debt Service Fund in 2003. In 2004, the fund was reclassified as the Union-Rome Sewer Enterprise Fund since the debt is backed solely by the fees and charges of the Union-Rome Sewer Fund.

NOTE 5 - 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.

LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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;
- 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 \$128,092 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 \$3,223,115, and the bank balance was \$6,242,483.

**LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Of the bank balance:

- A. \$1,171,784 was covered by federal deposit insurance (FDIC);
- B. \$581,488 was collateralized with securities held by the pledging financial institution's trust department or agent in the County's name; and
- C. \$4,489,211 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 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 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	\$9,300,000	\$9,300,000

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	\$12,651,207	\$0
Cash on Hand	(128,092)	0
Investments:		
Repurchase Agreement	<u>(9,300,000)</u>	<u>9,300,000</u>
GASB Statement No. 3	<u>\$3,223,115</u>	<u>\$9,300,000</u>

B. Component Units

At year-end, the carrying amount of Tri-State Industries' deposits was \$ 276,162 and the bank balance was \$308,205. Of the bank balance, \$100,000 was covered by federal depository insurance and the remaining \$208,205 was uninsured and uncollateralized.

At year-end, the carrying amount of Choices, Inc.'s deposits was \$19,018 and the bank balance was \$19,822. The bank balance was covered by federal deposit insurance.

LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 6 - 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	MRDD General	Public Assistance	Motor Vehicle Gasoline Tax
Budgetary Basis Fund Balances	\$1,577,042	\$ 940,567	\$363,681	\$ 983,113
Encumbrances	<u>230,027</u>	<u>38,141</u>	<u>138,650</u>	<u>149,572</u>
Fund Cash Balances	\$1,807,069	\$978,808	\$502,331	\$1,132,685

NOTE 7 - 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 2004 for real and public utility property taxes represents collection of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) is for 2004 taxes.

2004 real property taxes are levied after October 1, 2004 on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are intended to finance 2005.

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. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value.

The assessed value for the taxes levied in 2004 was \$727,563,460 of which real property represented 86 percent (\$621,275,850) of the total, public utility property represented 8 percent (\$59,582,600) of the total, and tangible personal property represented 6 percent (\$46,705,010) of the total. The full tax rate for all County operations for taxes collected in 2004, 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.

NOTE 8 - 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.

LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 8 - RISK MANAGEMENT (Continued)

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	\$1,000,000 per occurrence	\$0
Uninsured Motorists Insurance	\$25,000 per occurrence	\$0
Pollution Liability	\$25,000	\$1,000
All Risk Blanket Property	Building and Contents per Schedule	\$1,000
Flood (Zone A coverage)	\$5,000,000	\$25,000
Extra Expense	\$1,000,000	\$1,000
Personal Property of Others	\$100,000	\$1,000
Earthquake	\$5,000,000	\$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)	\$1,000,000	\$1,000
Boiler and Machinery	\$26,356,488	\$1,000
Inland Marine	\$500,000	\$1,000
Auto Comprehensive	Per Schedule	\$100
Auto Collision	Per Schedule	\$250
Employees Benefits Liability	\$1,000,000/\$3,000,000	\$1,000

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 2004, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (See Note 15). 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.

LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 9 - 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 2004 amounted to \$6,193,441 and is recorded in the General Fund.

NOTE 10 - RETIREMENT SYSTEMS

Ohio Public Employees Retirement System

All County employees, other than teachers, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to OPERS for all employees for the years ended December 31, 2004, 2003, and 2002 were \$2,656,420, \$1,967,746 and \$1,914,491, respectively; 100 percent has been contributed for 2004, 2003 and 2002.

State Teachers Retirement System

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan.

LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 10 - RETIREMENT SYSTEMS (Continued)

In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the years ended December 31, 2004, 2003, and 2002 were \$122,738, \$78,259 and \$87,144, respectively; 100 percent has been contributed for 2004, 2003 and 2002.

NOTE 11 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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 annually.

LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$675,556. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

State Teachers Retirement System

The County provides comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The System is on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount equaled \$1,138 for fiscal year 2004.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

NOTE 12 - 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 2004 is as follows:

LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 12 - DEBT OBLIGATIONS (Continued)

General Long-Term Obligations:

	Outstanding <u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding <u>12/31/04</u>
Series 2003 1.9-4.85%				
Office Building Refunding Bonds	1,340,000	0	115,000	1,225,000
Child Support Enforcement General Obligation Bonds - 1995 6.2%	50,000	0	25,000	25,000
Various Purpose Bonds 1999 4.90%				
General Obligation Bonds	525,000	0	75,000	450,000
Equipment Acquisition 2002 3.03%				
General Obligation Bonds	79,552	0	19,007	60,545
Real Estate Acquisition 2002 4.02%				
General Obligation Bonds	100,846	0	9,521	91,325
Real Estate Assessment 2002 5%				
General Obligation Bonds	<u>555,000</u>	<u>0</u>	<u>130,000</u>	<u>425,000</u>
Subtotal General Obligation Bonds	<u>2,650,398</u>	<u>0</u>	<u>373,528</u>	<u>2,276,870</u>
OPWC Promissory Note				
1995 0.00%	<u>124,960</u>	<u>0</u>	<u>9,997</u>	<u>114,963</u>
Total General Long-Term Obligations	<u>\$2,775,358</u>	<u>\$ 0</u>	<u>\$ 383,525</u>	<u>\$2,391,833</u>

Union-Rome Sewer Fund Obligations:

	Outstanding <u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding <u>12/31/04</u>
Sewer 1998 7.11% OWDA Loan	\$259,097	\$0	\$11,234	\$247,863
Sewer 1998 9.78% OWDA Loan	2,433,602	0	93,935	2,339,667
Sewer 1985 2.00% OWDA Loan	<u>822,404</u>	<u>0</u>	<u>44,430</u>	<u>777,974</u>
Subtotal OWDA Loans	<u>3,515,103</u>	<u>0</u>	<u>149,599</u>	<u>3,365,504</u>
Sewer 1995 0.00%				
OPWC Promissory Note	794,540	0	54,117	740,423
Sewer System Improvement 2002 4.03%	271,556	0	63,920	207,636
Sewer System Improvement 2004 2.59%	0	100,000	0	100,000
Sewer System Improvement 2004 3.88%	<u>0</u>	<u>155,000</u>	<u>0</u>	<u>155,000</u>
Subtotal Non OWDA	<u>1,066,096</u>	<u>255,000</u>	<u>118,037</u>	<u>1,203,059</u>
Total Union-Rome Sewer Fund Obligations	<u>\$4,581,199</u>	<u>\$ 255,000</u>	<u>\$ 267,636</u>	<u>\$4,568,563</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 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.

LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 12 - DEBT OBLIGATIONS (Continued)

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, 2004 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.

Annual debt service requirements to maturity for general obligation debt, including interest of \$366,086 are as follows:

Year Ending <u>December 31</u>	General Obligation <u>Bonds</u>	OPWC <u>Note</u>
2005	\$ 480,453	\$ 9,997
2006	450,670	9,997
2007	455,391	9,997
2008	281,288	9,997
2009	281,404	9,997
2010-2014	693,749	49,983
2015	<u>0</u>	<u>14,995</u>
Total	<u>\$2,642,955</u>	<u>\$114,963</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 Union-Rome Sewer 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 Union-Rome Sewer Fund. The sewer system improvement bonds were used for acquiring and installing equipment for the sewer system in the County.

The Union-Rome Sewer Fund debt service requirements to maturity, including \$1,298,088 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>
2005	\$582,949	\$54,117	\$144,639
2006	582,949	54,117	144,639
2007	582,949	54,117	144,639
2008	582,949	54,117	34,700
2009	582,949	54,117	34,700
2010-2014	1,748,847	270,585	0
2015-2019	<u>0</u>	<u>199,253</u>	<u>0</u>
	<u>\$4,663,592</u>	<u>\$740,423</u>	<u>\$503,317</u>

**LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 13 - 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, 2004, follows:

		Outstanding <u>12/31/03</u>	Issued	Retired	Outstanding <u>12/31/04</u>
General Fund:					
Computer Equipment Acquisition Bond Anticipation Note	1.34%	\$0	\$40,000	\$0	\$40,000
Voter Registration Equipment Bond Anticipation Note	1.46%	0	70,000	0	70,000
Equipment Acquisition Bond Anticipation Note	1.52%	60,000	0	60,000	0
Equipment Acquisition Bond Anticipation Note	1.34%	<u>0</u>	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Total General Fund		<u>\$60,000</u>	<u>\$160,000</u>	<u>\$60,000</u>	<u>\$160,000</u>

The computer equipment acquisition bond anticipation note was issued March 19, 2004 at 1.34% and matured on March 18, 2005. The equipment acquisition bond anticipation note was issued March 20, 2003 at 1.52% and matured on March 19, 2004. On March 19, 2004, the County issued a new bond anticipation note in the amount of \$50,000, which matured on March 18, 2005. The voter registration equipment bond anticipation note was issued on April 26, 2004 at 1.46% and matured on April 26, 2005. All bond anticipation notes are backed by the full faith and credit of the County.

NOTE 14 - 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 2004.

LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2004, the County paid \$1,418,604 to the EMS which primarily represents services provided to the County.

Ironton-Lawrence County Community Action Organization (CAO)

The 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 2004, the County paid the CAO \$1,300,512 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 2004, the County made contributions of \$8,344 to the Commission.

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 2004 the County made \$10,031 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 \$60 during 2004.

LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 15 - 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 2004, Lawrence County paid \$259,574 to the Council. \$252,957 was paid for basic insurance coverage, and \$6,617 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.

NOTE 16 - 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 2004.

Lawrence County contributed \$46,038 to the District during 2004. 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.

**LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 17 - RELATED PARTY 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 18 - 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, 2004, 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.

NOTE 18 - CONTINGENT LIABILITIES (Continued)

B. Component Units

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

NOTE 19 - RELATED PARTY TRANSACTIONS

Tri-State Industries, Inc., a component unit of Lawrence County, received contributions from the County for personal services, craft survey and lease storage space rental. In 2004, these contributions were \$28,669.

Choices, Inc., a component unit of Lawrence County, received contributions from the County for rental assistance, grass cutting, state exemption, purchase of community house and property purchases. In 2004, these contributions were \$60,284.

NOTE 20 - 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 2004. 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 to Medicare.

**LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 21-TRANSFERS

TRANSFERS OUT:

		MRDD General Fund	Public Assistance Fund	Other Governmental Funds	Union-Rome Sewer Fund	Total:	
	General Fund			\$ 536,148		\$ 536,148	
TRANSFERS IN:	MRDD General Major Special Revenue Fund			21,365		21,365	
	Other Governmental Funds	2,298,755	726	57,746	200,866	283,252	
	Union-Rome Sewer Fund	-	-	-	-	-	
	Total:	\$ 2,298,755	\$ 726	\$ 57,746	\$ 758,379	\$ 283,252	\$ 3,398,858

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 22 - CONTRACTUAL COMMITMENTS

The following contracts were outstanding at December 31, 2004:

<u>Company</u>	<u>Project</u>	<u>Balance at 12/31/04</u>
C.I. Thornburg	Union-Rome Sewer Telemetry Project	\$ 344,720
SBC Ameritech	911 System Replacement	130,684
E.L. Robinson Engineering Co.	Collection System Modeling Project	131,750
E.L. Robinson Engineering Co.	Airport Crack Repair, Asphalt Sealing, Striping	22,763
E.L. Robinson Engineering Co.	Airport Drainage Improvements and Apron Expansion	12,000
E.L. Robinson Engineering Co.	Lawrence-Scioto Solid Waste Management Plan	18,750
E.L. Robinson Engineering Co.	Farmview Wastewater Project	8,200
E.L. Robinson Engineering Co.	Lawrence Co. Rd. 37 Waterline Extension	9,000
E.L. Robinson Engineering Co.	Union-Rome Sewer Telemetry Project	3,000
Doug Conley Construction	Decatur Township Fire House - General Contractor	61,201
West End Electric	Decatur Township Fire House - Electric	5,237
		\$ 747,305

NOTE 23 - SUBSEQUENT EVENTS

On May 5, 2005, the Board of County Commissioners awarded a resurfacing contract to Shelly Company in the amount of \$1,174,275.

LAWRENCE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 23 - SUBSEQUENT EVENTS (Continued)

On July 7, 2005, the Board of County Commissioners approved and signed an Ohio Public Works Commission Project Grant Agreement for joint paving project in the amount of \$500,000.

NOTE 24 - 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 141.04 (A)(6)(c) and (E)(4) and 1907.16 (A) provide for the salaries to be paid to a County Court Judge. Donald Capper, the Lawrence County Court Judge, was paid a gross salary of \$38,500. However, his approved salary according to the sections of the Ohio Rev. Code noted above was \$37,000. This resulted in an overpayment of \$1,500.
3. Ohio Rev. Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. The County received revenues in four funds for which no amounts were estimated. The County also had actual revenues which were significantly less than the amount estimated in two funds.
4. The County had two major programs that were tested for compliance with federal guidelines. The two programs tested were: Workforce Investment Act (WIA) Cluster, CFDA #'s 17.258, 17.259 and 17.260 and the Airport Improvement Program, CFDA #20.106. As a result of that testing, non-compliance was noted in the following areas:

Workforce Investment Act:

Reporting, Cash Management, and Matching, Level of Effort and Earmarking

This page intentionally left blank.

LAWRENCE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
Nutrition Cluster:			
School Breakfast Program	05PU	10.553	\$ 18,111
National School Lunch Program	LLP4	10.555	33,358
Food Donation	N/A	10.550	10,682
Total Nutrition Cluster			<u>62,151</u>
Total United States Department of Agriculture			62,151
UNITED STATES DEPARTMENT OF COMMERCE			
<i>Passed Through Ohio Department of Natural Resources:</i>			
Economic Adjustment Assistance	N/A	11.307	<u>5,000</u>
Total United States Department of Commerce			5,000
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants/State's Program	B-F-01-040-1	14.228	39,171
	B-F-02-040-1	14.228	214,700
	B-F-03-040-1	14.228	28,000
Total Community Development Block Grant/State's Program			<u>281,871</u>
Total United States Department of Housing and Urban Development			281,871
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Direct Program:</i>			
Byrne Formula Grant Program	N/A	16.579	12,300
Bulletproof Vest Partnership Program	N/A	16.607	8,032
<i>Passed Through Ohio Department of Youth Services:</i>			
Juvenile Justice and Delinquency Prevention_Allocation to States	2002-JJ-IN4-0007D	16.540	1,671
<i>Passed through the State of Ohio Office of Criminal Justice Services:</i>			
Crime Victim Assistance	2002VAGENE736	16.575	899
	2003VAGENE051T	16.575	49,495
	2005VAGENE051	16.575	16,074
Total Crime Victim Assistance			<u>66,468</u>
Byrne Formula Grant Program	2002-DG-A01-7199	16.579	5,085
	2003-DG-A01-7199	16.579	36,686
Total Byrne Formula Grant Program			<u>41,771</u>
Violence Against Women Formula Grants	WF-VA2-8825/8723	16.588	18,444
	WF-VA1-8847	16.588	649
Total Violence Against Women Formula Grants			<u>19,093</u>
Local Law Enforcement Block Grants Program	2003-LE-LEB-3618	16.592	<u>8,000</u>
Total United States Department of Justice			157,335

LAWRENCE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

FEDERAL GRANTOR/ <i>Pass Through Grantor</i> Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed Through Ohio Department of Job and Family Services:</i>			
Workforce Investment Act (WIA) Cluster:			
Workforce Investment Act-Youth	N/A	17.259	607,368
Workforce Investment Act-Adult	N/A	17.258	469,851
Workforce Investment Act-Dislocated Worker	N/A	17.260	85,063
Total Workforce Investment Act (WIA) Cluster:			<u>1,162,282</u>
<i>Passed Through Area 7 Workforce Investment Board:</i>			
Workforce Investment Act (WIA) Cluster:			
Workforce Investment Act-Youth	N/A	17.259	90,668
Workforce Investment Act-Adult	N/A	17.258	40,407
Workforce Investment Act-Dislocated Worker	N/A	17.260	16,667
Total Workforce Investment Act (WIA) Cluster:			<u>147,742</u>
Total United States Department of Labor			1,310,024
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Direct Program:</i>			
Airport Improvement Program	3-39-0107-0203	20.106	155,835
	3-39-0107-0304	20.106	237,805
Total Airport Improvement Program			<u>393,640</u>
Total United States Department of Transportation			393,640
UNITED STATES GENERAL SERVICES ADMINISTRATION			
<i>Passed Through Ohio Secretary of State:</i>			
Election Reform Payments	04-SOS-HAVA-44	39.011	9,674
Total United States General Services Administration			9,674
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education_Grants to States	6B-SF-2004	84.027	32,859
	6B-SF-2005		50,842
Total Special Education_Grants to States			<u>83,701</u>
Special Education_Preschool Grants	PG-D7-2004-P	84.173	14,858
	PG-S1-2004		14,499
	PG-S1-2005		48,143
Total Special Education_Preschool Grants			<u>77,500</u>
Total Special Education Cluster			161,201
State Grants for Innovative Programs	C2S1-2004	84.298	351
	C2S1-2005	84.298	470
Total State Grants for Innovative Programs			<u>821</u>
Total United States Department of Education			162,022

LAWRENCE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

FEDERAL GRANTOR/ <i>Pass Through Grantor</i> Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Social Services Block Grant	N/A	93.667	59,202
State Children's Insurance Program	N/A	93.767	
Community Alternative Funding System			5,033
Targeted Case Management			1,063
Total State Children's Insurance Program			<u>6,096</u>
Medical Assistance Program	N/A	93.778	
Community Alternative Funding System			305,161
Targeted Case Management			100,573
Waiver Administration			1,364
Individual Options Waiver			24,438
Total Medical Assistance Program			<u>431,536</u>
Total United States Department of Health and Human Services			496,834
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
<i>Passed Through Ohio Department of Youth Services:</i>			
Americorps	YCP-015-03	94.006	<u>3,583</u>
Total Corporation for National and Community Service			3,583
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Emergency Management Agency:</i>			
State Domestic Preparedness Equipment Support Program	J809	97.004	11,707
	2002-TE-CX-0106	97.004	44,251
	2002-TE-CX-0106	97.004	12,000
Total State Domestic Preparedness Equipment Support Program			<u>67,958</u>
Emergency Management Performance Grant	J733	97.042	184
	K965	97.042	38,009
Total Emergency Management Performance Grant			<u>38,193</u>
Pre-Disaster Mitigation	PDM 02	97.047	4,012
State and Local All Hazards Emergency Operations Planning	K273	97.051	<u>11,728</u>
Total United States Department of Homeland Security			<u>121,891</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 3,004,025</u>

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

This page intentionally left blank.

LAWRENCE COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2004**

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- SUBRECEPIENTS

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, 2004, the gross amount of loans outstanding under this program was \$547,630. There were no new loans made during calendar year 2004.

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 during 2004 for expenditures made during 2004.

LAWRENCE COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2004
(Continued)**

NOTE F- CHILD NUTRITION CLUSTER

Program regulations do not require the County 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.



**Auditor of State
Betty Montgomery**

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

Lawrence County
111 South 4th Street
Ironton, Ohio 45438

To the Board of County Commissioners:

We have audited the 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, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 20, 2005, which noted the County prepared its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code § 117-2-03(B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. However we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2004-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting 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 material weaknesses. We consider reportable condition 2004-004 listed above to be a material weakness. In a separate letter to the County's management dated December 20, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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

Compliance and Other Matters

As part of reasonably assuring 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 agreements, 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-003. In a separate letter to the County's management dated December 20, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, the Board of County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for 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

December 20, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM 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 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 apply to each of its major federal programs for the year ended December 31, 2004. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures 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 2004-005 through 2004-007 in the accompanying Schedule of Findings, the County did not comply with requirements regarding reporting, cash management, and matching, level of effort and earmarking applying to its Workforce Investment Act Grant. Compliance with those 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, Lawrence 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, 2004. In a separate letter to the County's management dated December 20, 2005, we reported other matters related to federal noncompliance not requiring inclusion in this report.

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

Internal Control Over Compliance

The County's management 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 directly and materially affect a major federal program 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated December 20, 2005.

We intend this report solely for the information and use of management, the Board of County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 20, 2005

LAWRENCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS

(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)?	Yes
(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	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act (WIA) Cluster, CFDA #'s 17.258, 17.259 and 17.260 Airport Improvement Program, CFDA #20.106
(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, 2004
(Continued)

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

FINDING NUMBER 2004-001

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 prepares 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 2004-002

Finding for Recovery

Ohio Rev. Code Section 141.04 (A)(6)(c) and (E)(4) and 1907.16 (A) provide for the salaries to be paid to a County Court Judge. Ohio Rev. Code Section 1907.16 (C) states that the presiding judge of a county court who is also the administrative judge of the court shall receive an additional one thousand five hundred dollars (\$1,500) per annum.

According to the sections of the Ohio Revised Code noted above for 2004, the approved salary for Donald Capper, the Lawrence County Court Judge, was \$37,000 which consisted of the base salary of \$35,500 plus an additional \$1,500 as the administrative judge. However, he was paid a gross salary of \$38,500. This resulted in an overpayment of \$1,500.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Donald Capper, County Court Judge, and American States Insurance Company (a SAFECO company), the bonding company, in the amount of one thousand five hundred dollars (\$1,500), in favor of the Lawrence County General Fund.

Lawrence County has established a repayment plan with Donald Capper, Lawrence County Court Judge, in which the Judge will pay \$100 per pay, beginning with the pay period ending December 2, 2005, and concluding with the pay period ending June 16, 2006, to repay the overpayment of \$1,500.00. As of the date of this report, Lawrence County has received \$100.00 on December 2, 2005 and on December 16, 2005, respectively. Although a repayment schedule has been established, the Auditor of State is required to issue the aforementioned Finding for Recovery.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004
(Continued)

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

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code Section 5705.36 (A)(3) provides that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Rev. Code Section 5705.36 (A)(4) provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

As of June 30, 2004 the following funds of the County received revenues for which no amounts were estimated. In addition expenditures were subsequently made prior to an increased certificate of estimated resources being obtained (which was not obtained until December 29, 2004):

<u>Fund</u>	<u>Amount Received at June 30, 2004</u>
General Escrow Fund (B-21)	\$300,088
Lawrence County Airport Fund (C-20)	\$42,234
Voter Registration Equipment Fund (N-02)	\$70,000
Union Rome Sewer Modeling Fund (N-09)	\$155,000

Also, as of June 30, 2004 the Solid Waste Management Fund had received \$228,449 for which the amount estimated was \$200,000 or 14.22% more than the amount estimated. Per review of the expenditure ledger, the excess funds were expended, and an increased certificate was not obtained until December 29, 2004.

In addition, as of June 30, 2004, the following funds had actual revenues which were significantly less than the amount estimated:

<u>Fund</u>	<u>Amount Received at June 30, 2004</u>	<u>Estimated Amount at June 30, 2004</u>	<u>% Received at June 30, 2004</u>	<u>Amount Received at December 31, 2004</u>
Children Services Fund (S-50)	\$231,672	\$1,200,000	19.31%	\$483,639
Child Support Enforcement Fund (U-05)	\$348,933	\$1,176,000	29.67%	\$895,189

Although this did not result in available resources being overspent, the final amounts received at December 31, 2004 were significantly less than the original amounts estimated.

We recommend the County monitor estimated receipts versus actual receipts more closely throughout the year. We further recommend the County Auditor and Board of County Commissioners amend estimated receipts when it becomes apparent that estimates will exceed or fall below actual receipts.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004
(Continued)

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

FINDING NUMBER 2004-004

Material Weakness

When designing the public office’s system of internal control and the specific control activities, management should consider the following:

- Ensuring that all transactions are properly authorized in accordance with management’s policies.
- Ensuring that accounting records are properly designed.
- Ensuring adequate security of assets and records.
- Planning for adequate segregation of duties or compensating controls.
- Verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records.
- Performing analytical procedures to determine the reasonableness of financial data.
- Ensuring the collection and compilation of the data needed for timely preparation of financial statements.
- Monitoring activities performed by service organizations.

The County’s reconciliation process is two-fold. First, the County Treasurer must reconcile to the bank. Secondly, the County Auditor must reconcile to the County Treasurer’s balance. The County Treasurer performed reconciliations to the bank on a monthly basis during the audit period. However, accurate monthly reconciliations of the County Auditor to the County Treasurer’s balance were not performed after May 2004 by the County Auditor’s Office due to a change in the computer accounting software. The County Auditor’s Office did not complete the reconciliations for June 2004 through December 2004 until November 2005.

This resulted in multiple adjustments to the County Treasurer’s and the County Auditor’s computer systems, inaccurate book balances, and cumbersome reconciliation procedures.

We recommend accurate reconciliations of the County’s funds from the County Auditor’s Office to the County Treasurer’s balance be performed on a monthly basis by the County Auditor’s Office.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2004-005
CFDA Title and Number	Work Force Investment Act - CFDA# 17.258, 17.259 and 17.260
Federal Award Number/Year	2003- 2004
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services; Area 7 Workforce Investment Board

Noncompliance Citation – Reporting

Section 185 (e) 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.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2004-005 (Continued)
CFDA Title and Number	Work Force Investment Act - CFDA# 17.258, 17.259 and 17.260
Federal Award Number/Year	2003- 2004
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services; Area 7 Workforce Investment Board

Noncompliance Citation – Reporting - Section 185 (e) of the Workforce Investment Act (Continued)

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 (ODJFS) uses accrual information areas entered into the Quarterly Information Consolidation (QUIC) system to report GAAP information to the Federal government.

During 2005, \$253,175 in WIA expenditures were made for services which were rendered during the period September 2004 through December 2004. On the County’s WIA Fund Certification Sheet, \$200,707 was reported as accrued expenditures. This indicates that \$52,468 were not included as an accrual on the WIA Fund Certification Sheet. This resulted in accrual amounts not confirming to generally accepted accounting principles.

In addition, June 2004 accruals reported to the ODJFS on the County’s JFS 02827 Report (Job and Family Services Public Assistance Fund Certification Sheet) were overstated by \$13,540. This resulted in the Lawrence County Department of Job and Family Services owing the ODJFS a payment of \$13,540. As of December 15, 2005 this amount has not been paid back to the ODJFS.

Also, while testing WIA disbursements for 2004, we noted \$16,300 posted to the Dislocated Worker Program which should have been posted to the Adult Program. This resulted in amounts reported to the State or Area Agency being inaccurate.

We recommend the Lawrence County Department of Job and Family Services develop a method of reporting accruals which conforms to generally accepted accounting principles. We further recommend amounts due to the ODJFS be repaid and posting of WIA disbursements be monitored to ensure the proper programs are posted.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2004-006
CFDA Title and Number	Work Force Investment Act - CFDA# 17.258, 17.259 and 17.260
Federal Award Number/Year	2003- 2004
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services; Area 7 Workforce Investment Board

Noncompliance Citation – Cash Management

29 C.F.R. 97.20 (b)(7) provides, in part, that the financial management systems of other grantees and subgrantees must establish procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

29 C.F.R. 97.21 (b) states that methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 C.F.R. part 205.

31 C.F.R. 205.11 (b) indicates that cash advances shall be limited to the minimum amounts needed and be timed to be in accord with the actual, immediate cash requirements of the organization in carrying out the purpose of the program or project.

The Ohio Department of Jobs and Family Services currently has a 10 day disbursement cycle (which is subject to change.) Therefore, amounts on hand significantly exceeding 10 days are noncompliant. During 2004, the Lawrence County Department of Job and Family Services maintained WIA Fund cash balances which significantly exceeded 10 days' need.

We recommend the Lawrence County Department of Job and Family Services develop a cash management system in compliance with the C.F.R. and develop realistic estimates of current needs to ensure compliance with cash management requirements.

Finding Number	2004-007
CFDA Title and Number	Work Force Investment Act - CFDA# 17.258, 17.259 and 17.260
Federal Award Number/Year	2003- 2004
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services; Area 7 Workforce Investment Board

Noncompliance Citation – Matching, Level of Effort and Earmarking

20 C.F.R. Section 664.320(a) indicates that thirty percent of all Youth Activity funds allocated to the local areas, except for the local area expenditures for administrative purposes, must be used to provide activities to out-of-school youth.

LAWRENCE COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2004-007 (Continued)
CFDA Title and Number	Work Force Investment Act - CFDA# 17.258, 17.259 and 17.260
Federal Award Number/Year	2003- 2004
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services; Area 7 Workforce Investment Board

Noncompliance Citation – Matching, Level of Effort and Earmarking - 20 C.F.R. Section 664.320(a) – (Continued)

The Lawrence County Department of Job and Family Services is a subrecipient of the Montgomery County Department of Job and Family Services (the Area Agency). Montgomery County Department of Job and Family Services is responsible for complying with the 30% requirement which is based on the entire allocation to the area agency.

During testing of WIA disbursements for 2004, we noted \$283,138 of WIA In-School Youth expenditures were coded in the Program Expenditure Tracking (PET) system reports as Out-of-School Youth expenditures. This resulted in the County's Out-of-School Youth percentage being 26.53%, which is below the 30% youth requirement. This could result in the Area 7 Workforce Investment Board as a whole not complying with the 30% youth requirement.

We recommend the Lawrence County Department of Job and Family Services review and accurately code youth expenditures to ensure amounts are properly allocated to the in-school and out-of-school youth activities.

LAWRENCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A -133 § .315 (b)
 DECEMBER 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Noncompliance – O.R.C. Section 117.38 – Filing Annual Report in accordance with GAAP	No	Repeated as 2004-001
2003-002	Noncompliance – O.R.C. Section 5705.39 – Appropriation exceeded Estimated Resources	Yes	
2003-003	Noncompliance – O.R.C. Section 5705.41 (B) – Expenditures exceeded Appropriations	Yes	
2003-004	CDBG Cash Management	Yes	Finding No Longer Valid – The County has implemented a new procedure that they will not ask for a draw on any projects until they have received all invoices for the projects.
2003-005	WIA Subrecipient Monitoring	Yes	
2003-006	WIA Questioned Costs – Allowable Costs	No	Partially Corrected – Comment included in Management Letter
2003-007	WIA Reporting Compliance	No	Repeated as 2004-005
2003-008	WIA Monitoring of Budget vs. Actual Costs	No	Partially Corrected – Comment included in Management Letter
2003-009	WIA Funding	Yes	

LAWRENCE COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	No corrective action planned.	N/A	Chris Kline, Deputy County Auditor
2004-002	Donald Capper has agreed to have \$100 per pay withheld, beginning December 2, 2005, for the next 15 pays until the finding is fully repaid.	December 31, 2005	Chris Kline, Deputy County Auditor
2004-003	The Deputy County Auditor intends to monitor estimated receipts and actual receipts more closely.	December 31, 2005	Chris Kline, Deputy County Auditor
2004-004	The Deputy County Auditor is working with the County Treasurer to ensure that all reconciliations are completed.	December 31, 2005	Chris Kline, Deputy County Auditor
2004-005	The Lawrence County Department of Job and Family Services intends to pay this amount and closely monitor accruals in the future.	December 31, 2005	Jenny Halleck, Fiscal Officer Lawrence County Department of Jobs and Family Services
2004-006	The Lawrence County Department of Job and Family Services are currently following a monthly draw process.	December 31, 2005	Jenny Halleck, Fiscal Officer Lawrence County Department of Jobs and Family Services
2004-007	The Lawrence County Department of Job and Family Services are correctly coding current billings at this time.	December 31, 2005	Jenny Halleck, Fiscal Officer Lawrence County Department of Jobs and Family Services



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
JANUARY 12, 2006**