

Lawrence County

Single Audit

January 1, 2009 through December 31, 2009

Fiscal Year Audited Under GAGAS: 2009



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Board of County Commissioners
Lawrence County
111 South Fourth Street
Ironton, Ohio 45638

We have reviewed the *Independent Auditor's Report* of Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 17, 2010

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Independent Auditor's Report

County Commissioners
Lawrence County
111 South 4th Street
Ironton, OH 45638

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2009, 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 or Choices Inc., which are included as discrete presentations in the County's basic financial statements. These financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for Tri-State Industries and Choices Inc, is based solely on the report of 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 the *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide 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 basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclose that, while we presume material, cannot be determined at this time.

In our opinion, based on our audit report and the report 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of December 31, 2009, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund, Board of Developmental Disabilities Fund, Public Assistance Fund, and Motor Vehicle Gasoline Tax Fund, thereof for the year ended in conformity with accounting basis Note 2 describes.

County Commissioners
Lawrence County Financial Condition
Independent Auditor's Report
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2010, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of federal awards expenditures is required by the 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. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Balestra, Harr & Scherer, CPAs, Inc.
September 30, 2010

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

The discussion and analysis of Lawrence County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2009, within the limitations of the County's cash basis of accounting. Please read this in conjunction with the County's basic financial statements that begin on page 11.

Financial Highlights

Key financial highlights for 2009 are as follows:

Overall (Primary Government):

Total net assets decreased \$495,168 with governmental activities decreasing by \$564,569 and business-type activities increasing by \$69,401.

Total cash receipts were \$60,449,522 in 2009.

Total program cash disbursements were \$60,944,690 in 2009.

Governmental Activities:

Total program cash receipts were \$26,908,490 in 2009, while program cash disbursements were \$45,806,566.

Program cash disbursements were primarily composed of human services, public safety and public health related cash disbursements which were \$15,257,752, \$5,881,487 and \$7,058,955, respectively, in 2009.

Business-Type Activities:

Total program cash receipts were \$2,199,150 for business-type activities, while corresponding cash disbursements were \$15,138,124. Proceeds from loans provided an additional \$13,008,375 in general receipts.

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 Job and Family Services Fund, and the Board of Developmental Disabilities Fund are the most significant governmental funds and have been presented as major funds. The Union-Rome Sewer Fund is also considered a major fund.

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 three 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., and Lawrence County Port Authority.

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

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 2009?" 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 three 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, community and economic development, transportation, other, 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., Choices, Inc., and the Lawrence County Port Authority are separate legal entities, the County includes their activities since the County is financially accountable for these three entities.

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 Board of Developmental Disabilities Fund, the Job and Family Services Fund, and the Motor Vehicle Gasoline Tax Fund. The County's most significant fund that has been presented as a major enterprise fund is the Union-Rome Sewer Fund.

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

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 receipts and disbursements 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.

Fiduciary Funds These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that of the proprietary funds.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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 2009 compared to the prior year:

Table 1
Net Assets

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--|-------------------------|--------------|--------------------------|-------------|--------------|--------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$9,938,112 | \$10,502,681 | \$1,643,613 | \$1,574,212 | \$11,581,725 | \$12,076,893 |
| <i>Total Assets</i> | 9,938,112 | 10,502,681 | 1,643,613 | 1,574,212 | 11,581,725 | 12,076,893 |
| Net Assets | | | | | | |
| Restricted | 8,785,531 | 9,485,697 | - | - | 8,785,531 | 9,485,697 |
| Unrestricted | 1,152,581 | 1,016,984 | 1,643,613 | 1,574,212 | 2,796,194 | 2,591,196 |
| <i>Total Net Assets</i> | \$9,938,112 | \$10,502,681 | \$1,643,613 | \$1,574,212 | \$11,581,725 | \$12,076,893 |

Total assets and net assets decreased by \$495,168 from 2008 to 2009, which will be further discussed below.

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Table 2 shows the changes in net assets for 2009 and 2008.

Table 2
Change in Net Assets

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Cash Receipts | | | | | | |
| <i>Program Cash Receipts</i> | | | | | | |
| Charges for Sales and Services | \$2,988,613 | \$2,797,100 | \$1,943,665 | \$2,127,131 | \$4,932,278 | \$4,924,231 |
| Operating Grants and Contributions | 22,883,563 | 26,011,536 | - | - | 22,883,563 | 26,011,536 |
| Capital Grants and Contributions | 1,036,314 | 774,684 | 255,485 | - | 1,291,799 | 774,684 |
| Total Program Cash Receipts | 26,908,490 | 29,583,320 | 2,199,150 | 2,127,131 | 29,107,640 | 31,710,451 |
| <i>General Cash Receipts and Transfers</i> | | | | | | |
| Property Taxes | 4,682,032 | 4,602,774 | - | - | 4,682,032 | 4,602,774 |
| Sales Taxes | 6,570,669 | 6,682,526 | - | - | 6,570,669 | 6,682,526 |
| Payments in Lieu of Taxes | 190,267 | 168,600 | - | - | 190,267 | 168,600 |
| Grants and Entitlements Not Restricted | 1,837,830 | 2,316,416 | - | - | 1,837,830 | 2,316,416 |
| Interest | 55,765 | 501,103 | - | - | 55,765 | 501,103 |
| Miscellaneous | 966,395 | 1,278,818 | - | - | 966,395 | 1,278,818 |
| Proceeds from Sale of Notes | 3,579,545 | 2,747,296 | - | - | 3,579,545 | 2,747,296 |
| Proceeds from Loans | - | - | 13,008,375 | 9,511,022 | 13,008,375 | 9,511,022 |
| Proceeds from Sale of Assets | 451,004 | 161,500 | - | - | 451,004 | 161,500 |
| Total General Cash Receipts | 18,333,507 | 18,459,033 | 13,008,375 | 9,511,022 | 31,341,882 | 27,970,055 |
| Total Cash Receipts | 45,241,997 | 48,042,353 | 15,207,525 | 11,638,153 | 60,449,522 | 59,680,506 |
| Cash Disbursements | | | | | | |
| <i>General Government:</i> | | | | | | |
| Legislative and Executive | 3,537,118 | 3,767,623 | - | - | 3,537,118 | 3,767,623 |
| Judicial | 3,080,089 | 3,190,624 | - | - | 3,080,089 | 3,190,624 |
| Public Safety | 5,881,487 | 5,825,679 | - | - | 5,881,487 | 5,825,679 |
| Public Works | 4,822,429 | 6,364,709 | - | - | 4,822,429 | 6,364,709 |
| Health | 7,058,955 | 6,923,949 | - | - | 7,058,955 | 6,923,949 |
| Human Services | 15,257,752 | 16,678,844 | - | - | 15,257,752 | 16,678,844 |
| Community and Economic Development | 819,772 | 284,940 | - | - | 819,772 | 284,940 |
| Transportation | 6,000 | 707 | - | - | 6,000 | 707 |
| Other | 497,782 | 682,545 | - | - | 497,782 | 682,545 |
| Capital Outlay | 1,086,219 | 2,741,592 | - | - | 1,086,219 | 2,741,592 |
| <i>Debt Service:</i> | | | | | | |
| Principal Retirements | 3,614,908 | 1,028,425 | - | - | 3,614,908 | 1,028,425 |
| Interest and Fiscal Charges | 144,055 | 93,879 | - | - | 144,055 | 93,879 |
| Wastewater Treatment | - | - | 15,138,124 | 11,143,778 | 15,138,124 | 11,143,778 |
| Total Cash Disbursements | 45,806,566 | 47,583,516 | 15,138,124 | 11,143,778 | 60,944,690 | 58,727,294 |
| <i>Increase (Decrease) in Net Assets before transfers</i> | | | | | | |
| | (564,569) | 458,837 | 69,401 | 494,375 | (495,168) | 953,212 |
| Transfers | - | 4,998 | - | (4,998) | - | - |
| <i>Increase (Decrease) in Net Assets</i> | | | | | | |
| | (564,569) | 463,835 | 69,401 | 489,377 | (495,168) | 953,212 |
| <i>Net Assets, Beginning</i> | 10,502,681 | 10,038,846 | 1,574,212 | 1,084,835 | 12,076,893 | 11,123,681 |
| Net Assets, Ending | \$9,938,112 | \$10,502,681 | \$1,643,613 | \$1,574,212 | \$11,581,725 | \$12,076,893 |

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Governmental Activities Operating grants and contributions decreased by \$3,127,973 due primarily to a decrease in funding for public assistance program of \$2.8 million. Grants and entitlements not restricted decreased by \$478,586 due to decreases in local government funding and homestead and rollback funding. Interest receipts decreased \$445,338 due to falling interest rates and decreased cash balances. Proceeds from the sale of notes increased \$832,249 due primarily to the issuance of new notes in 2009 for land acquisition, equipment purchases, and road improvements. Proceeds from the sale of assets increased \$289,504 due to the County's sale of several surplus assets.

Property taxes and sales taxes made up 10 percent and 15 percent, respectively, of cash receipts for governmental activities for Lawrence County in 2009. Operating grants and contributions made up 51 percent of cash receipts for governmental activities for the County.

Public works disbursements decreased \$1,542,280 due to the decrease in disbursements related to motor vehicle and gasoline tax and county road programs. Human services disbursements decreased \$1,421,092 as a direct result of decreased funding for public assistance programs. Community and economic development increased \$534,832 as a direct result of increased funding for community development block grant programs. Capital outlay disbursements decreased \$1,655,373 due to a land acquisition and road equipment purchases that occurred in 2008.

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-type activities is apparent. Most of the 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 41 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. Tables 3 and 4 below show the total and net cost of services (on a cash basis) for the County.

Table 3
 Total Cost of Program Services
 Governmental Activities

| | 2009 | | 2008 | |
|------------------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| General Government: | | | | |
| Legislative and Executive | \$3,537,118 | \$2,656,948 | \$3,767,623 | \$2,801,001 |
| Judicial | 3,080,089 | 2,330,728 | 3,190,624 | 2,329,629 |
| Public Safety | 5,881,487 | 3,040,987 | 5,825,679 | 3,162,924 |
| Public Works | 4,822,429 | 1,326,928 | 6,364,709 | 2,120,043 |
| Health | 7,058,955 | 1,669,053 | 6,923,949 | 1,214,677 |
| Human Services | 15,257,752 | 3,782,761 | 16,678,844 | 3,061,401 |
| Community and Economic Development | 819,772 | 179,523 | 284,940 | 46,842 |
| Transportation | 6,000 | 1,314 | 707 | 117 |
| Other | 497,782 | 433,017 | 682,545 | 605,974 |
| Capital Outlay | 1,086,219 | (125,946) | 2,741,592 | 1,691,484 |
| Debt Service: | | | | |
| Principal Retirements | 3,614,908 | 3,614,908 | 1,028,425 | 1,028,425 |
| Interest and Fiscal Charges | 144,055 | (12,145) | 93,879 | (62,321) |
| <i>Total Cash Disbursements</i> | <u>\$45,806,566</u> | <u>\$18,898,076</u> | <u>\$47,583,516</u> | <u>\$18,000,196</u> |

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Table 4
 Total Cost of Program Services
 Business-Type Activities

| | 2009 | | 2008 | |
|---------------------------------|------------------------|----------------------|------------------------|----------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Wastewater Treatment | \$15,138,124 | \$12,938,974 | \$11,143,778 | \$9,016,647 |
| <i>Total Cash Disbursements</i> | \$15,138,124 | \$12,938,974 | \$11,143,778 | \$9,016,647 |

Business-Type Activities Business-type activities include wastewater treatment services. Overall net assets increased \$69,401 from 2008 to 2009. Program disbursements exceeded program receipts for the wastewater treatment segment in the amount of \$12,938,974 as a result of increased capital outlay related to the wastewater treatment plant construction project. This deficit was offset by proceeds from loans.

The County's Funds

Information about the County's major funds starts on page 14. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$48,364,627 and cash disbursements and other financing uses of \$48,929,196. The net change in fund balance for the year was most significant in the Board of Developmental Disabilities Fund and the Motor Vehicle Gasoline Tax Fund, where the Board of Developmental Disabilities Fund cash balance went from \$2,130,585 in 2008 to \$2,693,656 for 2009, and the Motor Vehicle Gasoline Tax Fund cash balance went from \$1,027,685 in 2008 to \$619,303 for 2009. For the Board of Developmental Disabilities Fund, cash receipts exceeded cash disbursements in the amount of \$563,071 and, in the Motor Vehicle Gasoline Tax Fund, cash disbursements exceeded cash receipts in the amount of \$408,382. For the Job and Family Services Fund cash disbursements exceeded cash receipts in the amount of \$287,073. For the General Fund, cash receipts exceeded cash disbursements in the amount of \$135,597.

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 were \$13,524,961, above original budget estimates of \$12,892,860. Of this \$632,101 difference, transfers in and proceeds from the sale of capital assets were above original estimates. Final budgeted receipts were \$13,861,638, above original budgeted estimates due to increases in transfers in and proceeds from sale of capital assets. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$13,491,136, \$33,825 below cash receipts. There weren't significant budgetary variances on the disbursement side.

Capital Assets and Debt Administration

Capital Assets

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The County had capital outlay disbursements of \$1,086,219 and \$13,326,108 for its governmental activities and its business-type activities, respectively, during 2009.

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

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, 2009, the County had \$926,500 in bonds and related long-term debt for governmental activities and \$25,538,602 in bonds and related long-term debt for business-type activities. As of December 31, 2009, the County had \$3,079,545 in short-term notes outstanding. For additional information regarding debt, please see notes 10 and 11 to the basic financial statements.

Table 5 summarizes bonds and long-term notes outstanding for governmental activities for 2009 and 2008:

Table 5
 Outstanding Debt at December 31
 Governmental Activities

| | 2009 | 2008 |
|--------------------------|------------------|--------------------|
| General Obligation Bonds | \$861,522 | \$1,219,137 |
| OPWC Promissory Note | 64,978 | 74,975 |
| Totals | \$926,500 | \$1,294,112 |

Table 6 summarizes bonds and long-term notes outstanding for business-type activities for 2009 and 2008:

Table 6
 Outstanding Debt at December 31
 Business-Type Activities

| | 2009 | 2008 |
|-------------------------------|---------------------|---------------------|
| OWDA Loans | \$24,518,764 | \$12,489,727 |
| OPWC Promissory Notes | 1,019,838 | 523,955 |
| Sewer System Improvement Note | - | 33,404 |
| Total | \$25,538,602 | \$13,047,086 |

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 citizens, taxpayers, 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.

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Lawrence County
Statement of Net Assets - Cash Basis
For the Year Ended December 31, 2009

| | Primary Government | | | Component Units | | |
|--|----------------------------|-----------------------------|----------------------|-------------------------|------------------|--------------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Tri-State Industries | Choices, Inc. | Lawrence County Port Authority |
| ASSETS | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 9,938,112 | \$ 1,643,613 | \$ 11,581,725 | \$ 196,474 | \$ 23,147 | \$ 103,236 |
| <i>Total Assets</i> | <u>9,938,112</u> | <u>1,643,613</u> | <u>11,581,725</u> | <u>196,474</u> | <u>23,147</u> | <u>103,236</u> |
| NET ASSETS | | | | | | |
| Restricted for: | | | | | | |
| Developmental Disabilities | 2,693,656 | - | 2,693,656 | - | - | - |
| Job and Family Services | 573,335 | - | 573,335 | - | - | - |
| Motor Vehicle and Gas Tax | 619,303 | - | 619,303 | - | - | - |
| Supported Living | 421,622 | - | 421,622 | - | - | - |
| Real Estate Assessment | 379,371 | - | 379,371 | - | - | - |
| Care and Custody | 261,177 | - | 261,177 | - | - | - |
| Children Services | 249,359 | - | 249,359 | - | - | - |
| County Roads | 912,817 | - | 912,817 | - | - | - |
| Debt Service | 31,521 | - | 31,521 | - | - | - |
| Capital Projects | 1,595,073 | - | 1,595,073 | - | - | - |
| Other Purposes | 1,048,297 | - | 1,048,297 | 196,474 | 23,147 | 103,236 |
| Unrestricted | <u>1,152,581</u> | <u>1,643,613</u> | <u>2,796,194</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Total Net Assets</i> | <u>\$ 9,938,112</u> | <u>\$ 1,643,613</u> | <u>\$ 11,581,725</u> | <u>\$ 196,474</u> | <u>\$ 23,147</u> | <u>\$ 103,236</u> |

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

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Lawrence County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2009

| | Program Cash Receipts | | | |
|---------------------------------------|------------------------------|---------------------------------------|---|---|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities | | | | |
| General Government: | | | | |
| Legislative and Executive | \$ 3,537,118 | \$ 357,849 | \$ 522,321 | \$ - |
| Judicial | 3,080,089 | 314,158 | 435,203 | - |
| Public Safety | 5,881,487 | 1,253,872 | 1,586,628 | - |
| Public Works | 4,822,429 | 170,268 | 3,146,633 | 178,600 |
| Health | 7,058,955 | 182,529 | 5,207,373 | - |
| Human Services | 15,257,752 | 420,165 | 11,054,826 | - |
| Community and Economic Development | 819,772 | 19,104 | 621,145 | - |
| Transportation | 6,000 | 140 | 4,546 | - |
| Other | 497,782 | 59,017 | 5,748 | - |
| Capital Outlay | 1,086,219 | 55,311 | 299,140 | 857,714 |
| Debt Service: | | | | |
| Principal Retirements | 3,614,908 | - | - | - |
| Interest and Fiscal Charges | 144,055 | 156,200 | - | - |
| <i>Total Governmental Activities</i> | <u>45,806,566</u> | <u>2,988,613</u> | <u>22,883,563</u> | <u>1,036,314</u> |
| Business-Type Activities: | | | | |
| Wastewater Treatment | 15,138,124 | 1,943,665 | - | 255,485 |
| <i>Total Business-Type Activities</i> | <u>15,138,124</u> | <u>1,943,665</u> | <u>-</u> | <u>255,485</u> |
| <i>Total Primary Government</i> | <u>\$ 60,944,690</u> | <u>\$ 4,932,278</u> | <u>\$ 22,883,563</u> | <u>\$ 1,291,799</u> |
| Component Units: | | | | |
| Tri-State Industries, Inc. | \$ 1,491,333 | \$ 575,777 | \$ 968,540 | \$ - |
| Choices, Inc. | 143,740 | 119,810 | - | - |
| Lawrence County Port Authority | 1,222,831 | 415,543 | 533,873 | - |
| <i>Total Component Units</i> | <u>\$ 2,857,904</u> | <u>\$ 1,111,130</u> | <u>\$ 1,502,413</u> | <u>\$ -</u> |

General Cash Receipts and Transfers:

Property Taxes Levied for:
 General Purposes
 MRDD
 Other Purposes
Sales Taxes
Payments in Lieu of Taxes
Grants and Entitlements, Not Restricted to Specific Programs
Proceeds from Sale of Notes
Proceed from Loans
Proceeds from Sale of Assets
Interest Receipts
Miscellaneous

Total General Cash Receipts and Transfers

Changes in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

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

**Net (Cash Disbursements) Cash Receipts
and Changes in Net Cash Assets**

| Primary Government | | | Component Units | | |
|-------------------------|--------------------------|----------------------|----------------------|------------------|--------------------------------|
| Governmental Activities | Business-Type Activities | Total | Tri-State Industries | Choices Inc. | Lawrence County Port Authority |
| \$ (2,656,948) | \$ - | \$ (2,656,948) | \$ - | \$ - | \$ - |
| (2,330,728) | - | (2,330,728) | - | - | - |
| (3,040,987) | - | (3,040,987) | - | - | - |
| (1,326,928) | - | (1,326,928) | - | - | - |
| (1,669,053) | - | (1,669,053) | - | - | - |
| (3,782,761) | - | (3,782,761) | - | - | - |
| (179,523) | - | (179,523) | - | - | - |
| (1,314) | - | (1,314) | - | - | - |
| (433,017) | - | (433,017) | - | - | - |
| 125,946 | - | 125,946 | - | - | - |
| (3,614,908) | - | (3,614,908) | - | - | - |
| 12,145 | - | 12,145 | - | - | - |
| <u>(18,898,076)</u> | <u>-</u> | <u>(18,898,076)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| - | (12,938,974) | (12,938,974) | - | - | - |
| - | (12,938,974) | (12,938,974) | - | - | - |
| (18,898,076) | (12,938,974) | (31,837,050) | - | - | - |
| | | | 52,984 | - | - |
| | | | - | (23,930) | - |
| | | | - | - | (273,415) |
| | | | <u>52,984</u> | <u>(23,930)</u> | <u>(273,415)</u> |
| 2,359,306 | - | 2,359,306 | - | - | - |
| 1,753,976 | - | 1,753,976 | - | - | - |
| 568,750 | - | 568,750 | - | - | - |
| 6,570,669 | - | 6,570,669 | - | - | - |
| 190,267 | - | 190,267 | - | - | - |
| 1,837,830 | - | 1,837,830 | - | - | - |
| 3,579,545 | - | 3,579,545 | - | - | - |
| - | 13,008,375 | 13,008,375 | - | - | - |
| 451,004 | - | 451,004 | - | - | - |
| 55,765 | - | 55,765 | 1,832 | 275 | 150,085 |
| 966,395 | - | 966,395 | - | - | 1,767 |
| <u>18,333,507</u> | <u>13,008,375</u> | <u>31,341,882</u> | <u>1,832</u> | <u>275</u> | <u>151,852</u> |
| (564,569) | 69,401 | (495,168) | 54,816 | (23,655) | (121,563) |
| <u>10,502,681</u> | <u>1,574,212</u> | <u>12,076,893</u> | <u>141,658</u> | <u>46,802</u> | <u>224,799</u> |
| <u>\$ 9,938,112</u> | <u>\$ 1,643,613</u> | <u>\$ 11,581,725</u> | <u>\$ 196,474</u> | <u>\$ 23,147</u> | <u>\$ 103,236</u> |

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
As of and For the Year Ended December 31, 2009

| | General | Board of Developmental Disabilities | Job and Family Services | Motor Vehicle Gasoline Tax | All Other Governmenta l Funds | Total Governmental Funds |
|--|---------------------|--|--|---------------------------------------|--|---|
| CASH RECEIPTS | | | | | | |
| Property Taxes | \$ 2,359,306 | \$ 1,753,976 | \$ - | \$ - | \$ 568,750 | \$ 4,682,032 |
| Sales Taxes | 6,570,669 | - | - | - | - | 6,570,669 |
| Payments in Lieu of Taxes | 188,365 | 1,902 | - | - | - | 190,267 |
| Charges for Services | 1,318,746 | 63,848 | - | - | 833,460 | 2,216,054 |
| Licenses and Permits | 3,712 | - | - | - | 18,403 | 22,115 |
| Fines and Forfeitures | 400,649 | - | - | 28,628 | 321,167 | 750,444 |
| Intergovernmental | 1,543,245 | 3,824,074 | 10,252,208 | 4,134,906 | 6,003,274 | 25,757,707 |
| Interest | 42,411 | 8,354 | - | 4,361 | 639 | 55,765 |
| Other | 415,179 | 172,664 | 10,257 | 86,471 | 281,824 | 966,395 |
| <i>Total Cash Receipts</i> | <u>12,842,282</u> | <u>5,824,818</u> | <u>10,262,465</u> | <u>4,254,366</u> | <u>8,027,517</u> | <u>41,211,448</u> |
| CASH DISBURSEMENTS | | | | | | |
| Current: | | | | | | |
| General Government: | | | | | | |
| Legislative and Executive | 2,847,388 | - | - | - | 689,730 | 3,537,118 |
| Judicial | 2,505,719 | - | - | - | 574,370 | 3,080,089 |
| Public Safety | 3,787,494 | - | - | - | 2,093,993 | 5,881,487 |
| Public Works | 532,265 | - | - | 4,152,850 | 137,314 | 4,822,429 |
| Health | 186,390 | 5,253,015 | - | - | 1,619,550 | 7,058,955 |
| Human Services | 667,857 | - | 10,781,484 | - | 3,808,411 | 15,257,752 |
| Community and Economic Development | - | - | - | - | 819,772 | 819,772 |
| Transportation | - | - | - | - | 6,000 | 6,000 |
| Other | 490,196 | - | - | - | 7,586 | 497,782 |
| Capital Outlay | 30,139 | 8,732 | - | 219,193 | 828,155 | 1,086,219 |
| Debt Service: | | | | | | |
| Principal Retirements | - | - | - | - | 3,614,908 | 3,614,908 |
| Interest and Fiscal Charges | - | - | - | - | 144,055 | 144,055 |
| <i>Total Cash Disbursements</i> | <u>11,047,448</u> | <u>5,261,747</u> | <u>10,781,484</u> | <u>4,372,043</u> | <u>14,343,844</u> | <u>45,806,566</u> |
| <i>Excess of Cash Receipts Over (Under) Cash Disbursements</i> | <u>1,794,834</u> | <u>563,071</u> | <u>(519,019)</u> | <u>(117,677)</u> | <u>(6,316,327)</u> | <u>(4,595,118)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers In | 231,675 | - | 231,946 | - | 2,659,009 | 3,122,630 |
| Proceeds from Sale of Notes | - | - | - | 100,000 | 3,479,545 | 3,579,545 |
| Proceeds from Sale of Assets | 451,004 | - | - | - | - | 451,004 |
| Transfers Out | (2,341,916) | - | - | (390,705) | (390,009) | (3,122,630) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(1,659,237)</u> | <u>-</u> | <u>231,946</u> | <u>(290,705)</u> | <u>5,748,545</u> | <u>4,030,549</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>135,597</u> | <u>563,071</u> | <u>(287,073)</u> | <u>(408,382)</u> | <u>(567,782)</u> | <u>(564,569)</u> |
| <i>Cash Basis Fund Balances at Beginning of Year</i> | <u>1,016,984</u> | <u>2,130,585</u> | <u>860,408</u> | <u>1,027,685</u> | <u>5,467,019</u> | <u>10,502,681</u> |
| <i>Cash Basis Fund Balances at End of Year</i> | <u>\$ 1,152,581</u> | <u>\$ 2,693,656</u> | <u>\$ 573,335</u> | <u>\$ 619,303</u> | <u>\$ 4,899,237</u> | <u>\$ 9,938,112</u> |
| CASH BASIS ASSETS AT END OF YEAR | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,152,581 | \$ 2,693,656 | \$ 573,335 | \$ 619,303 | \$ 4,899,237 | \$ 9,938,112 |
| <i>Total Assets</i> | <u>\$ 1,152,581</u> | <u>\$ 2,693,656</u> | <u>\$ 573,335</u> | <u>\$ 619,303</u> | <u>\$ 4,899,237</u> | <u>\$ 9,938,112</u> |
| CASH FUND BALANCES AT YEAR END | | | | | | |
| Reserved for Encumbrances | \$ 101,772 | \$ 4,952 | \$ 61,103 | \$ 473,067 | \$ 140,849 | \$ 781,743 |
| Unreserved, Undesignated Report In: | | | | | | |
| General Fund | 1,050,809 | - | - | - | - | 1,050,809 |
| Special Revenue Funds | - | 2,688,704 | 512,232 | 146,236 | 3,153,550 | 6,500,722 |
| Debt Service Funds | - | - | - | - | 31,521 | 31,521 |
| Capital Projects Funds | - | - | - | - | 1,573,317 | 1,573,317 |
| <i>Total Cash Basis Fund Balances</i> | <u>\$ 1,152,581</u> | <u>\$ 2,693,656</u> | <u>\$ 573,335</u> | <u>\$ 619,303</u> | <u>\$ 4,899,237</u> | <u>\$ 9,938,112</u> |

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

Lawrence County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2009

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|------------------------|---------------------|---------------------|---------------------------------------|
| RECEIPTS | | | | |
| Property Taxes | \$ 2,448,000 | \$ 2,359,306 | \$ 2,359,306 | \$ - |
| Sales Taxes | 6,517,145 | 6,570,669 | 6,570,669 | - |
| Payments in Lieu of Taxes | 189,106 | 42,405 | 188,365 | 145,960 |
| Charges for Services | 1,323,940 | 1,318,746 | 1,318,746 | - |
| Licenses and Permits | 3,727 | 3,712 | 3,712 | - |
| Fines and Forfeitures | 402,227 | 400,649 | 400,649 | - |
| Intergovernmental | 1,549,323 | 1,543,245 | 1,543,245 | - |
| Interest | 42,578 | 42,411 | 42,411 | - |
| Other | 416,814 | 281,064 | 415,179 | 134,115 |
| <i>Total Receipts</i> | <u>12,892,860</u> | <u>12,562,207</u> | <u>12,842,282</u> | <u>280,075</u> |
| DISBURSEMENTS | | | | |
| Current: | | | | |
| General Government: | | | | |
| Legislative and Executive | 2,788,152 | 3,059,229 | 2,923,238 | 135,991 |
| Judicial | 1,684,665 | 2,544,719 | 2,506,716 | 38,003 |
| Public Safety | 4,727,327 | 3,871,675 | 3,803,497 | 68,178 |
| Public Works | 765,350 | 535,835 | 532,775 | 3,060 |
| Health | 104,040 | 190,205 | 187,594 | 2,611 |
| Human Services | 627,538 | 721,764 | 669,186 | 52,578 |
| Other | 973,496 | 515,273 | 491,715 | 23,558 |
| Capital Outlay | - | 36,037 | 34,499 | 1,538 |
| <i>Total Disbursements</i> | <u>11,670,568</u> | <u>11,474,737</u> | <u>11,149,220</u> | <u>325,517</u> |
| Excess of Receipts Over Disbursements | <u>1,222,292</u> | <u>1,087,470</u> | <u>1,693,062</u> | <u>605,592</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer In | - | 848,427 | 231,675 | (616,752) |
| Proceeds from Sale of Capital Assets | - | 451,004 | 451,004 | - |
| Transfers Out | (1,525,000) | (2,506,896) | (2,341,916) | 164,980 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(1,525,000)</u> | <u>(1,207,465)</u> | <u>(1,659,237)</u> | <u>(451,772)</u> |
| <i>Net Change in Fund Balance</i> | <u>(302,708)</u> | <u>(119,995)</u> | <u>33,825</u> | <u>153,820</u> |
| <i>Fund Balance at Beginning of Year</i> | <u>718,733</u> | <u>718,733</u> | <u>718,733</u> | <u>-</u> |
| <i>Prior Year Encumbrances Appropriated</i> | <u>298,251</u> | <u>298,251</u> | <u>298,251</u> | <u>-</u> |
| <i>Fund Balance at End of Year</i> | <u>\$ 714,276</u> | <u>\$ 896,989</u> | <u>\$ 1,050,809</u> | <u>\$ 153,820</u> |

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

Lawrence County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
Board of Developmental Disabilities Fund
For the Year Ended December 31, 2009

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|------------------------|---------------------|---------------------|---------------------------------------|
| RECEIPTS | | | | |
| Property Taxes | \$ 1,594,528 | \$ 1,753,976 | \$ 1,753,976 | \$ - |
| Payments in Lieu of Taxes | 1,942 | 1,902 | 1,902 | - |
| Charges for Services | 65,175 | 63,848 | 63,848 | - |
| Intergovernmental | 3,903,574 | 3,824,074 | 3,824,074 | - |
| Interest | 8,528 | 8,354 | 8,354 | - |
| Other | 176,253 | 172,664 | 172,664 | - |
| <i>Total Receipts</i> | <u>5,750,000</u> | <u>5,824,818</u> | <u>5,824,818</u> | <u>-</u> |
| DISBURSEMENTS | | | | |
| Current: | | | | |
| Health | 5,403,791 | 5,665,532 | 5,257,967 | 407,565 |
| Capital Outlay | 15,450 | 10,000 | 8,732 | 1,268 |
| <i>Total Disbursements</i> | <u>5,419,241</u> | <u>5,675,532</u> | <u>5,266,699</u> | <u>408,833</u> |
| <i>Net Change in Fund Balance</i> | 330,759 | 149,286 | 558,119 | 408,833 |
| <i>Fund Balance at Beginning of Year</i> | 2,099,352 | 2,099,352 | 2,099,352 | - |
| <i>Prior Year Encumbrances Appropriated</i> | <u>31,233</u> | <u>31,233</u> | <u>31,233</u> | <u>-</u> |
| <i>Fund Balance at End of Year</i> | <u>\$ 2,461,344</u> | <u>\$ 2,279,871</u> | <u>\$ 2,688,704</u> | <u>\$ 408,833</u> |

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

Lawrence County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
Job and Family Services Fund
For the Year Ended December 31, 2009

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|------------------------|---------------------|-------------------|---------------------------------------|
| RECEIPTS | | | | |
| Intergovernmental | \$ 12,587,407 | \$ 10,252,208 | \$ 10,252,208 | \$ - |
| Other | 12,593 | 10,257 | 10,257 | - |
| <i>Total Receipts</i> | <u>12,600,000</u> | <u>10,262,465</u> | <u>10,262,465</u> | <u>-</u> |
| DISBURSEMENTS | | | | |
| Current: | | | | |
| Human Services | <u>13,165,000</u> | <u>10,842,587</u> | <u>10,842,587</u> | <u>-</u> |
| <i>Total Disbursements</i> | <u>13,165,000</u> | <u>10,842,587</u> | <u>10,842,587</u> | <u>-</u> |
| Excess of Receipts Under Disbursements | <u>(565,000)</u> | <u>(580,122)</u> | <u>(580,122)</u> | <u>-</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers In | <u>-</u> | <u>231,946</u> | <u>231,946</u> | <u>-</u> |
| <i>Total Other Financing Sources</i> | <u>-</u> | <u>231,946</u> | <u>231,946</u> | <u>-</u> |
| <i>Net Change in Fund Balance</i> | (565,000) | (348,176) | (348,176) | - |
| <i>Fund Balance at Beginning of Year</i> | 712,758 | 712,758 | 712,758 | - |
| <i>Prior Year Encumbrances Appropriated</i> | <u>147,650</u> | <u>147,650</u> | <u>147,650</u> | <u>-</u> |
| <i>Fund Balance at End of Year</i> | <u>\$ 295,408</u> | <u>\$ 512,232</u> | <u>\$ 512,232</u> | <u>\$ -</u> |

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

Lawrence County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
Motor Vehicle Gasoline Tax Fund
For the Year Ended December 31, 2009

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|------------------------|---------------------|-------------------|---------------------------------------|
| RECEIPTS | | | | |
| Fines and Forfeitures | \$ 28,296 | \$ 28,628 | \$ 28,628 | \$ - |
| Intergovernmental | 4,086,926 | 4,134,906 | 4,134,906 | - |
| Interest | 4,310 | 4,361 | 4,361 | - |
| Other | 85,468 | 86,471 | 86,471 | - |
| <i>Total Receipts</i> | <u>4,205,000</u> | <u>4,254,366</u> | <u>4,254,366</u> | <u>-</u> |
| DISBURSEMENTS | | | | |
| Current: | | | | |
| Public Works | 4,485,000 | 4,625,704 | 4,625,704 | - |
| Capital Outlay | 150,000 | 219,406 | 219,406 | - |
| <i>Total Disbursements</i> | <u>4,635,000</u> | <u>4,845,110</u> | <u>4,845,110</u> | <u>-</u> |
| Excess of Receipts Over (Under) Disbursements | <u>(430,000)</u> | <u>(590,744)</u> | <u>(590,744)</u> | <u>-</u> |
| OTHER FINANCING SOURCES AND (USES): | | | | |
| Proceeds from Sale of Notes | - | 100,000 | 100,000 | - |
| Transfers Out | - | (390,705) | (390,705) | - |
| <i>Total Other Financing Sources and (Uses)</i> | <u>-</u> | <u>(290,705)</u> | <u>(290,705)</u> | <u>-</u> |
| <i>Net Change in Fund Balance</i> | (430,000) | (881,449) | (881,449) | - |
| <i>Fund Balance at Beginning of Year</i> | 919,618 | 919,618 | 919,618 | - |
| <i>Prior Year Encumbrances Appropriated</i> | <u>108,067</u> | <u>108,067</u> | <u>108,067</u> | <u>-</u> |
| <i>Fund Balance at End of Year</i> | <u>\$ 597,685</u> | <u>\$ 146,236</u> | <u>\$ 146,236</u> | <u>\$ -</u> |

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

Lawrence County
*Statement of Cash Basis Assets and Net Cash Assets and Cash Receipts,
Cash Disbursements and Changes in Net Cash Assets
Proprietary Funds - Cash Basis
As of and For the Year Ended December 31, 2009*

| | Union-Rome Sewer Fund |
|--|----------------------------------|
| OPERATING CASH RECEIPTS | |
| Charges for Services | \$ 1,848,401 |
| Other | 95,264 |
| | <u>1,943,665</u> |
| <i>Total Operating Cash Receipts</i> | <u>1,943,665</u> |
| OPERATING CASH DISBURSEMENTS | |
| Salaries and Benefits | 643,279 |
| Contractual Services | 371,230 |
| Materials and Supplies | 145,630 |
| Capital Outlay | 13,326,108 |
| Other | 18,788 |
| | <u>14,505,035</u> |
| <i>Total Operating Cash Disbursements</i> | <u>14,505,035</u> |
| Excess of Operating Cash Receipts Under Operating Cash Disbursements | (12,561,370) |
| NON-OPERATING CASH RECEIPTS (CASH DISBURSEMENTS) | |
| Proceeds from OWDA Loan | 12,458,375 |
| Proceeds from OPWC Loan | 550,000 |
| Interest and Fiscal Charges | (116,230) |
| Principal Retirement | (516,859) |
| | <u>12,375,286</u> |
| <i>Total Non-Operating Cash Receipts (Cash Disbursements)</i> | <u>12,375,286</u> |
| Cash Receipts Over (Under) Cash Disbursements Before Capital Contributions | (186,084) |
| Capital Grants and Contributions | 255,485 |
| | <u>69,401</u> |
| <i>Change in Net Cash Assets</i> | <u>69,401</u> |
| <i>Net Cash Assets at Beginning of Year</i> | <u>1,574,212</u> |
| <i>Net Cash Assets at End of Year</i> | <u>\$ 1,643,613</u> |
| CASH BASIS ASSETS AT END OF YEAR | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 1,643,613</u> |
| NET CASH ASSETS AT END OF YEAR | |
| Unrestricted | <u>\$ 1,643,613</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, 2009

| | <u>Agency Fund</u> |
|--|----------------------------|
| ASSETS | |
| Equity Pooled in Cash and Cash Equivalents | <u>\$ 3,470,989</u> |
| <i>Total Assets</i> | <u><u>\$ 3,470,989</u></u> |
| | |
| Net Cash Assets | <u><u>\$ 3,470,989</u></u> |

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

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 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.

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 of 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 Lawrence County Port Authority, is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio pursuant to the authority of Sections 4582.21 to 4582.59 of the Ohio Revised Code. The Port Authority was established on December 2, 2004 by the Lawrence County Commissioners. The purpose of the Port Authority is to be involved in the activities that enhance, foster, aid, provide, or promote transportation, economic development, housing, recreation, education, governmental operations, culture, or research within Lawrence County. The Port Authority provides services that are enumerated in Sections 4582.21 to 4582.59 of the Ohio Revised Code. These services include but are not limited to the power to purchase, construct, reconstruct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities to accomplish these activities. The Lawrence County Port Authority operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from the Lawrence County Port Authority, South Point, 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:

The 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.

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

Reporting Entity (Continued)

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 Health District.

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

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

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

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

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

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

Scioto-Lawrence Counties Joint Solid Waste District

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

Briggs-Lawrence County Public Library

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 self-balancing set of accounts.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund 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:

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.

Board of Developmental Disabilities 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.

Job and Family Services 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 net assets) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The County's agency funds account for assets held for political subdivisions in which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures that have been collected and which will be distributed to other political subdivisions.

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 the governmental and the business-type 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 and business-type 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 three legally separate entities, or component units, for which the County is fiscally responsible. These three component units are Tri-State Industries, Inc., Choices, Inc., and the Lawrence County Port Authority and are described further in note 1 to the basic 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 on the cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

Cash Receipts – Exchange and Non-exchange Transactions

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

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 also 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process (Continued)

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 appropriation.

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 original budget figures that appear in the statements of budgetary comparison represent the first appropriation measure that covered the entire fiscal year. The final budget figures that appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

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.

Fund Balance Reserves

The County reserves those portions of fund balances which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of the total of fund cash balances of all funds as of December 31, 2009. 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. 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 2009, interest receipts amounted to \$55,765 in which \$42,411 was recorded in the General Fund; \$8,354 was recorded in the Board of Developmental Disabilities Special Revenue Fund; \$4,361 was recorded in the Motor Vehicle Gasoline Tax Special Revenue Fund; and \$639 was recorded in All Other Governmental Funds.

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 basic 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 and are not accrued as liabilities.

Operating Cash Receipts and Cash Disbursements

Operating cash receipts are those cash receipts that are generated directly from the primary activity of the proprietary funds. For the County, these receipts are charges for services for sewer services. Operating cash disbursements are necessary costs incurred to provide the good or service that is the primary activity of the fund. Cash receipts and disbursements not meeting these definitions are reported as non-operating.

Net Cash Assets

Net cash assets represent the County's cash and investment balance at year-end. 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.

Of the County's \$8,785,531 of restricted net assets, none is restricted by enabling legislation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

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

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

A. Primary Government

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the County which are not considered active are classified as inactive. Inactive monies can be deposited or invested with certain limitations in the following securities provided the County has filed a written investment policy with the Auditor of State:

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, 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;
3. Written repurchase 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;
4. Bonds and other obligations of the State of Ohio, or the political subdivisions of Ohio, provided that such political subdivisions are located wholly or partly within the same county as the investing authority;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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

A. Primary Government (Continued)

8. 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;
9. High grade commercial paper in an amount not to exceed 5 percent of the County's total average portfolio;
10. Certain bankers' acceptances for a period not to exceed one hundred and eighty days and commercial paper notes for a period not to exceed two hundred and seventy days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
11. Under limited circumstances, corporate debt interests rated in any of the three highest rating classifications by at least two nationally recognized rating agencies;
12. Notes issued by corporations incorporated and operating within the United States, or by depository institutions doing business under any state or United States authority and operating within the United States. Such investments shall not exceed fifteen percent of the County's total average portfolio and meet other requirements; and
13. A current unpaid or delinquent tax line of credit authorized under division (G) of section 135.341 of the Revised Code provided that all of the conditions for entering into such a line of credit under that division are satisfied.

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.

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.

Deposits:

Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The County's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

The County's bank balance of \$16,008,972 was either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner as described above.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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

B. Component Units

At year-end, the carrying amount of Tri-State Industries' deposits was \$196,474. The entire amount was covered by federal deposit insurance.

At year-end, the carrying amount of Choices, Inc.'s deposits was \$23,147. The entire amount was covered by federal deposit insurance.

At year-end, the carrying amount of the Lawrence County Port Authority's deposits was \$103,236. The entire amount was covered by federal depository insurance.

NOTE 4- BUDGETARY BASIS FUND BALANCES

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

| | General Fund | Board of Developmental Disabilities | Job and Family Services | Motor Vehicle Gasoline Tax |
|-------------------------------|--------------|---|-------------------------------|-------------------------------|
| Budgetary Basis Fund Balances | \$1,050,809 | \$2,688,704 | \$512,232 | \$146,236 |
| Encumbrances | 101,772 | 4,952 | 61,103 | 473,067 |
| Fund Cash Balances | \$1,152,581 | \$2,693,656 | \$573,335 | \$619,303 |

NOTE 5 - PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2009 for real and public utility property taxes represents collection of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

2009 real property taxes are levied after October 1, 2008 on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are intended to finance 2010.

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. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2008, on the value as of December 31, 2008. Collections are made in 2009. Tangible personal property assessments are 6.25 percent of true value for collections made during calendar year 2009. This amount will be reduced to zero for collections made during calendar year 2010.

The assessed value for the taxes levied in 2009 was \$783,438,660 of which real property represented 92 percent (\$720,942,130) of the total and public utility property represented 8 percent (\$62,496,530) of the total. The full tax rate for all County operations for taxes collected in 2009 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.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 5 - PROPERTY TAX (Continued)

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 6 - RISK MANAGEMENT

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

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

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

| <u>Policy Type</u> | <u>Annual/ Aggregate Coverage</u> | <u>Deductible</u> |
|--------------------------------------|------------------------------------|-------------------|
| General Liability | \$1,000,000/\$3,000,000 | \$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 |
| Pollution Liability | \$100,000 | \$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 | \$1,000,000 | \$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 |
| Boiler and Machinery | \$34,688,346 | \$1,000 |
| Inland Marine | \$2,701,219 | \$1,000 |
| Auto Comprehensive | Per Schedule | \$100 |
| Auto Collision | Per Schedule | \$250 |
| Employees Benefits Liability | \$1,000,000/\$3,000,000 | \$1,000 |

NOTE 6 - RISK MANAGEMENT (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. For 2009, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see note 13). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

NOTE 7 - PERMISSIVE SALES AND USE TAX

In February 1983, the Tax Commissioners adopted by resolution a one percent Permissive Sales and Use Tax, and in April 1998 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 2009 amounted to \$6,570,669 and is recorded in the General Fund.

NOTE 8 - RETIREMENT SYSTEMS

Ohio Public Employees Retirement System

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
 - 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
 - 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
 - 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

- B. OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

- C. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 8 - RETIREMENT SYSTEMS (Continued)

E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

The 2009, 2008, and 2007 member contribution rates were 10.0%, 10.0%, and 9.5%, respectively, for members in state, and local classifications. Public safety and law enforcement members contributed at a rate of 10.1%, 10.1%, and 9.75%, respectively.

The 2009, 2008 and 2007 employer contribution rate for state and local government employers was 14.0%, 14.0%, and 13.85%, respectively, of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rates were 17.63%, 17.4%, and 17.17%, respectively.

The County's contributions to OPERS for the years ended December 31, 2009, 2008, and 2007, were \$2,418,643, \$2,119,391, and \$2,263,712, respectively. 100% has been contributed for 2009, 2008 and 2007.

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System have an option to choose social security or the Public Employees Retirement System. As of December 31, 2009, none of the elected officials had elected social security.

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

NOTE 8 - RETIREMENT SYSTEMS (Continued)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2009, 2008, and 2007, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent. The County's required contributions for pension obligations to the DB Plan for the years ended December 31, 2009, 2008, and 2007 were \$99,189, \$97,003, and \$94,980, respectively; 100 percent has been contributed for 2009, 2008, and 2007.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

NOTE 9 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

- A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

- B. The Ohio Revised Code provides the statutory authority requiring public employer units to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, 2008, and 2007, local government employer units contributed at 14.0%, 14.0%, and 13.85%, respectively, of covered payroll, and public safety and law enforcement employer units contributed at 17.63%, 17.4%, and 17.17%, respectively. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units, and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2009, the employer contribution allocated to the health care plan was 7.0% for January through March and 5.5% for April through December. For 2008, the percentage was 7.0% of covered payroll. For 2007, these percentages were 5.0% for January through June and 6.0% for July through December. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$1,173,425, \$1,059,696, and \$898,920 for 2009, 2008, and 2007, respectively; 100 percent has been contributed for 2009, 2008, and 2007.

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1, of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the fiscal years ended December 31, 2009, 2008 and 2007. For the County, these amounts equaled \$7,084, \$6,929, and \$6,776, respectively, for fiscal years 2009, 2008, and 2007, respectively; 100 percent has been contributed for 2009, 2008, and 2007.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 10 - DEBT OBLIGATIONS

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying basic financial statements. However, information regarding such changes in the County's long-term obligations during 2009 is as follows:

| <u>Governmental Long-Term Obligations:</u> | Outstanding 12/31/2008 | Additions | Deletions | Outstanding 12/31/2009 | Due In One Year |
|--|---------------------------|-----------|------------|---------------------------|--------------------|
| Series 2003 1.9-4.85% | | | | | |
| Office Building Refunding Bonds | \$ 730,000 | \$ - | \$ 135,000 | \$ 595,000 | \$ 140,000 |
| Series 2005B 3.71% Equipment Bond | 147,981 | - | 18,741 | 129,240 | 19,490 |
| Various Purpose Bonds 1999 4.90% | 100,000 | - | 100,000 | - | - |
| Real Estate Acquisition 2002 4.02% | | | | | |
| General Obligation Bonds | 49,255 | - | 11,595 | 37,660 | 12,062 |
| Series 2006 4.24% Equipment Bond | 94,715 | - | 36,699 | 58,016 | 38,271 |
| Series 2006 4.90% Ambulance Bond | 52,703 | - | 52,703 | - | - |
| 5.68% County Building Improvement Bond * | 44,483 | - | 2,877 | 41,606 | 2,958 |
| Subtotal General Obligation Bonds | 1,219,137 | - | 357,615 | 861,522 | 212,781 |
| OPWC Promissory Note | | | | | |
| 1995 0.00% | 74,975 | - | 9,997 | 64,978 | 9,997 |
| Total Governmental Long-Term Obligations | \$ 1,294,112 | \$ - | \$ 367,612 | \$ 926,500 | \$ 222,778 |

| <u>Union-Rome Sewer Fund Obligations:</u> | Outstanding 12/31/2008 | Additions | Deletions | Outstanding 12/31/2009 | Due In One Year |
|---|---------------------------|---------------|------------|---------------------------|--------------------|
| Sewer 1998 7.11% OWDA Loan | \$ 140,844 | \$ - | \$ 31,674 | \$ 109,170 | \$ 33,926 |
| Sewer 1998 9.78% OWDA Loan | 1,385,583 | - | 299,554 | 1,086,029 | 328,850 |
| Sewer 2007 3.25% OWDA Loan | 10,558,901 | 12,458,375 | - | 23,017,276 | - |
| Sewer 1985 2.00% OWDA Loan | 404,399 | - | 98,110 | 306,289 | 100,072 |
| Subtotal OWDA Loans | 12,489,727 | 12,458,375 | 429,338 | 24,518,764 | 462,848 |
| OPWC Promissory Note | | | | | |
| 1995 0.00% | 523,955 | - | 54,117 | 469,838 | 54,117 |
| OPWC Promissory Note 2009 0.00% | - | 550,000 | - | 550,000 | 27,500 |
| Sewer System Improvement 2004 3.88% | 33,404 | - | 33,404 | - | - |
| Subtotal Non OWDA | 557,359 | 550,000 | 87,521 | 1,019,838 | 81,617 |
| Total Union-Rome-Sewer Fund Obligations | \$ 13,047,086 | \$ 13,008,375 | \$ 516,859 | \$ 25,538,602 | \$ 544,465 |

* Balance restated to reflect correct balance. This restatement had no effect on net assets.

The human services bond issued in the amount of \$1,340,000 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.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 10 - DEBT OBLIGATIONS (Continued)

The real estate acquisition bonds issued in the amount of \$110,000 were used to pay for a real estate acquisition. The debt will be retired from property taxes.

The various purpose bonds issued in the amount of \$800,000 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 issued in the amount of \$200,000 were used to acquire GIS and voting equipment. The debt will be retired from property taxes.

The equipment acquisition bonds issued in the amount of \$180,000 were used to purchase computer equipment for the County. The debt will be retired from property taxes.

The ambulance acquisition bonds issued in the amount of \$150,000 were used to purchase two ambulances for the County. The debt will be retired from property taxes.

The building improvement acquisition bonds issued in the amount of \$50,000 were used for roofing improvements to County buildings. The debt will be retired from property taxes.

The County received an Ohio Public Works Commission loan in the amount of \$199,937 to improve storm drainage in the eastern part of the County. The debt will be paid from property taxes.

The County received three Ohio Public Works Commission loans totaling \$1,082,341 to complete three phases of the Union Rome equalization project. The debt will be paid from sewer charges.

The County received an Ohio Public Works Commission loan in the amount of \$550,000 for wastewater treatment plant improvements. The debt will be paid from sewer charges. The amortization schedule for this loan is not yet available.

Annual debt service requirements to maturity for general obligation debt are as follows:

| <u>Year Ending December 31</u> | General Obligation Principal | General Obligation Interest | OPWC Note Principal |
|------------------------------------|------------------------------------|-----------------------------------|---------------------------|
| 2010 | \$212,781 | \$34,511 | \$9,997 |
| 2011 | 200,601 | 25,145 | 9,997 |
| 2012 | 187,255 | 16,429 | 9,997 |
| 2013 | 185,134 | 7,532 | 9,997 |
| 2014 | 26,100 | 2,686 | 9,997 |
| 2015-2019 | 41,710 | 3,636 | 14,993 |
| 2020-2021 | 7,941 | 340 | - |
| Total | <u>\$861,522</u> | <u>\$90,279</u> | <u>\$64,978</u> |

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 10 - DEBT OBLIGATIONS (Continued)

The County received four OWDA loans to construct a waste water treatment plant. These loans were issued in the amounts of \$310,890, \$2,854,558, \$1,039,363, and \$1,030,579. The County was awarded a fifth loan with an original principal amount of \$24,564,713. This loan award as amended during 2009 for an additional \$217,991, for a new principal amount of \$24,782,704. As of December 31, 2009, \$23,017,276 has been drawn, including capitalized interest. During 2009, the County was awarded a sixth and seventh loan with original principal amounts of \$3,953,761 and \$1,445,525, respectively. As of December 31, 2009, no funds have been drawn from these amounts and no interest was capitalized. The debt will be paid from revenues derived by the County from the operation of the Union-Rome Sewer Fund. 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 debt will be paid from revenues derived by the County from the operation of the Union-Rome Sewer Fund.

The Union-Rome Sewer Fund debt service requirements to maturity are as follows:

| Year Ending <u>December 31</u> | OWDA Principal | OWDA Interest | OPWC Loan |
|-----------------------------------|--------------------|------------------|------------------|
| 2010 | \$462,847 | \$120,102 | \$54,117 |
| 2011 | 499,423 | 83,526 | 54,117 |
| 2012 | 539,218 | 43,731 | 54,117 |
| 2013 | - | - | 54,117 |
| 2014 | - | - | 54,117 |
| 2015-2018 | - | - | 199,253 |
| | <u>\$1,501,488</u> | <u>\$247,359</u> | <u>\$469,838</u> |

The OWDA Planning Loan issued in 2006 was rolled into the new OWDA loan issued in 2007. This project not been fully completed, therefore, the loan amount has not been issued in full and a final payment schedule is not available and is not included in the above payment schedule.

In connection with the OWDA loans, the County has pledged future customer revenues of the Union Rome Sewer Fund net of specified operating expenses, to repay these loans. The loans are payable, through final maturities, from net revenues applicable to the Union Rome Sewer Fund. The remaining principal and interest to be paid on the loans in the preceding amortization schedule is \$1,748,847. The loan that has been excluded from the preceding amortization schedule has not been fully drawn and as such an amortization schedule has not yet been prepared. Total principal on this loan outstanding at December 31, 2009 was \$23,017,276 and interest estimated to be payable on this balance is \$8,465,498. The net revenue available for these loans was \$764,738 and principal and interest paid was \$633,089. The coverage ratio for the loans was 1.21 for the year ended December 31, 2009.

Conduit Debt The County has Industrial Development Revenue Bonds outstanding in the aggregate principal of \$730,000 at December 31, 2009 for facilities used by private corporations or other entities. The County is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the County's debt presentation. There has not been and is not any condition of default under the bonds or the related financing documents.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 11 - NOTES PAYABLE

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying basic financial statements. However, a summary of the note transactions for the year ended December 31, 2009, follows:

| | | Outstanding 12/31/08 | Issued | Retired | Outstanding 12/31/09 |
|--|-------|-------------------------|--------------------|--------------------|-------------------------|
| Various Purpose Bond Anticipation Note | 3.03% | \$520,000 | \$520,000 | \$520,000 | \$520,000 |
| County Building Improvement Bond Anticipation Note | 3.48% | 45,000 | 40,000 | 45,000 | 40,000 |
| Computer Equip. Note | 3.23% | 82,296 | 77,296 | 82,296 | 77,296 |
| Land Acquisition Note | 3.45% | 2,100,000 | 2,172,249 | 2,100,000 | 2,172,249 |
| County Road 107 Note | 2.78% | - | 100,000 | - | 100,000 |
| New Group Home Real Estate Note | 3.96% | - | 150,000 | - | 150,000 |
| Postage Machine Equipment Note | 1.77% | - | 20,000 | - | 20,000 |
| Real Estate Acquisition Note | 2.42% | - | 500,000 | 500,000 | - |
| Total Notes Payable | | \$2,747,296 | \$3,579,545 | \$3,247,296 | \$3,079,545 |

The building improvement acquisition bond anticipation note in the amount of \$40,000 was issued in October 2009 and matures in October 2010. On November 3, 2009, the County issued Land Acquisition Bond Anticipation Notes in the amount of \$2,172,249 and matures on November 3, 2010. The various purpose bond anticipation notes in the amount of \$520,000 were issued on May 1, 2009 and mature on May 1, 2010. The computer equipment acquisition note in the amount of \$77,296 was issued on May 8, 2009 and matures on May 8, 2010. The County Road 107 bond anticipation note in the amount of \$100,000 was issued on November 9, 2009 and matures November 1, 2010. The New Group Home Real Estate bond anticipation note in the amount of \$150,000 was issued on December 30, 2009 and matures on December 30, 2010. The postage machine equipment bond anticipation note was issued on July 15, 2009 and matures on July 15, 2010. The real estate acquisition bond anticipation note was issued on March 19, 2009 and matured on September 29, 2009. All bond anticipation notes are backed by the full faith and credit of the County.

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

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

The ADAMH Board is responsible for the delivery of comprehensive mental health and substance abuse services in Adams, Lawrence, and Scioto Counties. The Board provides no direct services but contracts for their delivery. The Board's function is to assess needs, and to plan, monitor, fund, and evaluate the services provided. The Board is managed by eighteen members, two appointed by the Commissioners of Adams County; three by the Commissioners of Lawrence County; five by the Commissioners of Scioto County; four by the Ohio Department of Alcohol and Drug Addiction Services; 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 2009.

NOTE 12 - 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 2009, the County paid \$1,072,288 to the EMS which primarily represents services provided to the County.

Ironton-Lawrence County Community Action Organization (CAO)

The CAO is an IRS 501(c)(3) 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 2009, the County paid the CAO \$1,987,276 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, Article 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 2009, the County made \$14,821 in contributions 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 2009, the County made \$10,644 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 \$500 during 2009.

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Southern Ohio Council of Governments

The County is a member of the Southern Ohio Council of Governments (the "Council"), which is a jointly governed organization created under Ohio Revised Code Section 167.01. The governing body consists of a thirteen member board with each participating County represented by its Director of its Board of Developmental Disabilities. Member counties include: Adams, Athens, Brown, Fayette, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Scioto, and Vinton Counties. The Council acts as fiscal agent for the Lawrence County Board of Developmental Disabilities' supportive living program monies. As of December 31, 2009, the County had no funds on hand with the Council. Financial statements can be obtained from the Council at 17273 St. Rt. 104, Building 8, Chillicothe, Ohio 45601.

NOTE 13 - PUBLIC ENTITY SHARED RISK POOLS

Buckeye Joint-County Self-Insurance Council

The Buckeye Joint-County Self-Insurance Council is a public entity shared risk pool that serves Athens, Hocking, Jackson, Lawrence, Meigs, Monroe, Morgan, Noble, Perry, Pike, Vinton, and Washington Counties. The Council was formed as an Ohio non-profit corporation for the purpose of establishing a shared risk pool to provide general liability, law enforcement, professional, and fleet insurance. Member counties provide operating resources to the Council 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 2009, Lawrence County paid \$247,911 to the Council for basic insurance coverage and 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 14 - JOINT VENTURE

The Scioto-Lawrence Counties Joint Solid Waste District

The Scioto-Lawrence Counties Joint Solid Waste District is jointly operated by Scioto and Lawrence Counties for the purpose of making disposal of waste in the two-county area more comprehensive in terms of recycling, incinerating and landfill. The Board of Directors consists of nine members, including one County Commissioner from each County. Lawrence County maintained the financial records pertaining to the District in 2009.

Lawrence County contributed \$286,050 to the District during 2009. The Joint Venture was funded by Special Assessment monies collected. 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 to or burden on the County. The financial activity of the District is presented as an agency fund due to the County serving as fiscal agent.

NOTE 15 - RELATED 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 16 - CONTINGENT LIABILITIES

A. Primary Government

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

At December 31, 2009, there are several lawsuits pending against the County. The County's legal counsel is uncertain as to the exact outcome of the lawsuits, but does not estimate any liability on the County's part.

B. Component Units

Currently, there is no pending litigation against Tri-State Industries, Inc., Choices, Inc., or the Lawrence County Port Authority.

NOTE 17 - RELATED PARTY TRANSACTIONS

Tri-State Industries, Inc., a component unit of Lawrence County, received contributions from the County MR/DD. In 2009, these contributions were \$771,512.

Choices, Inc., a component unit of Lawrence County, received contributions from the County for rental assistance, grass cutting, state exemption, and purchase of community house and property purchases. In 2009, these contributions were \$119,810.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 18-INTERFUND ACTIVITY

Transfers

| | Transfers In | Transfers Out |
|--------------------------------|--------------------|--------------------|
| General Fund | \$231,675 | \$2,341,916 |
| Job and Family Services | 231,946 | - |
| Motor Vehicle and Gasoline Tax | - | 390,705 |
| Other Governmental Funds | 2,659,009 | 390,009 |
| Total | <u>\$3,122,630</u> | <u>\$3,122,630</u> |

Transfers are used to move revenues from the fund that collects them in accordance with statute or budget to the fund that is required to expend them in accordance with statute or budget; to segregate money for anticipated capital projects; to provide resources for current operations; or to service debt. Transfers into the General Fund were to make up short falls within the fund. Transfers from other governmental funds to other governmental funds were for debt service. Transfers from the Motor Vehicle and Gasoline Tax Fund were for the County to recover a portion of Issue II projects.

NOTE 19-COMPLIANCE

The Ohio Administrative Code Section 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. Contrary to this requirement, the County elects to prepare its annual financial report in accordance with the cash basis of accounting.

NOTE 20-SUBSEQUENT EVENT

On February 4, 2010, the County entered into a lease purchase with First Security Leasing, Inc. for the purpose of energy conservation measures within many County buildings. The lease agreement is in the amount of \$1,269,000 with a 5.877% interest rate and matures in February 2025.

The County failed to make payments due on its WPCLF Loan Number 4781 on January 1, 2010 and July 1, 2010 with the delinquent amounts aggregating \$1,703,001.48. The loan balance outstanding on loan number 4781 as of August 31, 2010 was \$24,256,064.74. On May 18, 2010, the Ohio Water Development Authority (OWDA) filed a complaint in the Franklin County Court of Common Pleas. The County is negotiating with OWDA to determine whether a revised payment arrangement can be made.

Lawrence County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2009

| Federal Grantor Pass-Through Grantor Program Title | Pass-Through Entity's Number | Federal CFDA Number | Disbursements | Non-Cash Disbursements |
|---|------------------------------------|---------------------------|------------------|---------------------------|
| United States Department of Agriculture | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Nutrition Cluster: | | | | |
| School Breakfast Program | 05PU | 10.553 | 10,079 | 0 |
| National School Lunch Program | LLP4 | 10.555 | 16,203 | 3,483 |
| Total Nutrition Cluster | | | 26,282 | 3,483 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - ARRA | G-89-20-1091 | 10.561 | 53,613 | 0 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | G-89-20-1091 | 10.561 | 504,975 | 0 |
| | | | 558,588 | 0 |
| Total United States Department of Agriculture | | | 584,870 | 3,483 |
| United States Department of Housing and Urban Development | | | | |
| <i>Passed Through Ohio Department of Development:</i> | | | | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | B-E-07-040-2 | 14.228 | 500,000 | 0 |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | B-F-08-040-1 | 14.228 | 29,675 | 0 |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | B-F-07-040-1 | 14.228 | 116,765 | 0 |
| Revolving Loans | N/A | 14.228 | 2,060 | 0 |
| | | | 2,060 | 0 |
| Total United States Department of Housing and Urban Development | | | 648,500 | 0 |
| United States Department of Justice | | | | |
| <i>Passed through the State of Ohio Office of Criminal Justice Services:</i> | | | | |
| Crime Victim Assistance: | | | | |
| Crime Victim Assistance | 2009VAGENE051 | 16.575 | 44,424 | 0 |
| Crime Victim Assistance | 2010VAGENE051 | 16.575 | 18,003 | 0 |
| | | | 62,427 | 0 |
| <i>Passed through the State of Ohio Attorney General:</i> | | | | |
| Crime Victim Assistance | 2009VAGENE828X | 16.575 | 14,675 | 0 |
| Total Crime Victim Assistance | | | 77,102 | 0 |
| Edward Byrne Memorial Justice Assistance Grant Program: | | | | |
| Drug/Major Crimes Task Force | 2008-JG-A01-6284 | 16.738 | 40,440 | 0 |
| Drug/Major Crimes Task Force | 2007-JG-A01-6284 | 16.738 | 10,091 | 0 |
| Total Edward Byrne Memorial Justice Assistance Grant Program | | | 50,531 | 0 |
| Total United States Department of Justice | | | 127,633 | 0 |
| United States Department of Labor | | | | |
| <i>Passed Through Montgomery County Department of Job and Family Services:</i> | | | | |
| Workforce Investment Act (WIA) Cluster: | | | | |
| WIA Youth Activities | N/A | 17.259 | 615,538 | 0 |
| WIA Youth Activities - ARRA | N/A | 17.259 | 234,808 | 0 |
| WIA Adult Program | N/A | 17.258 | 550,773 | 0 |
| WIA Adult Program - ARRA | N/A | 17.258 | 109,464 | 0 |
| WIA Dislocated Workers | N/A | 17.260 | 135,384 | 0 |
| WIA Dislocated Workers - ARRA | N/A | 17.260 | 103,081 | 0 |
| Total Workforce Investment Act (WIA) Cluster: | | | 1,749,048 | 0 |
| Total United States Department of Labor | | | 1,749,048 | 0 |
| United States Department of Transportation | | | | |
| <i>Direct from the Federal Government:</i> | | | | |
| Airport Improvement Program | N | 20.106 | 4,275 | 0 |
| <i>Passed Through Ohio Department of Transportation</i> | | | | |
| Highway Planning and Construction | N/A | 20.205 | 58,050 | 0 |
| Total United States Department of Transportation | | | 62,325 | 0 |
| United States Department of Education | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Special Education Cluster: | | | | |
| Special Education_Grants to States | 6B-SF | 84.027 | 69,296 | 0 |
| Special Education_Preschool Grants | PG-S1 | 84.173 | 59,062 | 0 |
| Total Special Education Cluster | | | 128,358 | 0 |
| State Grants for Innovative Programs | C2S1 | 84.298 | 93 | 0 |
| Total United States Department of Education | | | 128,451 | 0 |

See the accompanying notes to the schedule of federal awards expenditures.

(continued)

Lawrence County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2009

| Federal Grantor Pass-Through Grantor Program Title | Pass-Through Entity's Number | Federal CFDA Number | Disbursements | Non-Cash Disbursements |
|--|------------------------------------|---------------------------|---------------------|---------------------------|
| United States Department of Health and Human Services | | | | |
| <i>Passed Through Ohio Department of Developmental Disabilities:</i> | | | | |
| Social Services Block Grant | N/A | 93.667 | \$46,538 | \$0 |
| Medical Assistance Program | | | | |
| Targeted Case Management | N/A | 93.778 | 84,546 | 0 |
| Total Medical Assistance Program | | | <u>84,546</u> | <u>0</u> |
| <i>Passed Through Ohio Department of Job and Family Services:</i> | | | | |
| Temporary Assistance for Needy Families | G-89-20-1091 | 93.558 | 4,163,766 | 0 |
| Child Support Enforcement | G-89-20-1091 | 93.563 | 441,379 | 0 |
| Child Support Enforcement - ARRA | G-89-20-1091 | 93.563 | 188,639 | 0 |
| Social Services Block Grant | G-89-20-1091 | 93.667 | 1,253,352 | 0 |
| Chafee Foster Care Independence Program | G-89-20-1091 | 93.674 | 4,840 | 0 |
| Medical Assistance Program | G-89-20-1091 | 93.778 | 871,723 | 0 |
| | | | <u>6,923,699</u> | <u>0</u> |
| Child Care Development Fund Cluster: | | | | |
| Child Care and Development Block Grant | G-89-20-1091 | 93.575 | 255,459 | 0 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | G-89-20-1091 | 93.596 | 642,777 | 0 |
| Child Care and Development Block Grant - ARRA | G-89-20-1091 | 93.713 | 310,000 | 0 |
| Total Child Care Development Fund Cluster | | | <u>1,208,236</u> | <u>0</u> |
| Total United States Department of Health and Human Services | | | 8,263,019 | 0 |
| United States Election Assistance Commission (EAC) | | | | |
| <i>Passed Through Ohio Secretary of State:</i> | | | | |
| Help America Vote Act | N/A | 90.401 | 4,131 | 0 |
| Total United States Election Assistance Commission (EAC) | | | 4,131 | 0 |
| United States Department of Homeland Security | | | | |
| <i>Passed Through Ohio Emergency Management Agency:</i> | | | | |
| Hazard Mitigation Grant | N/A | 97.039 | 69,915 | 0 |
| Emergency Management Performance Grants: | | | | |
| Emergency Management Performance Grants | 2007-EM-E7-0085 | 97.042 | 11,854 | 0 |
| Emergency Management Performance Grants | 2008-EM-E8-0002 | 97.042 | 44,684 | 0 |
| Total Emergency Management Performance Grants | | | <u>56,538</u> | <u>0</u> |
| Total United States Department of Homeland Security | | | 126,453 | 0 |
| Total Federal Awards Expenditures | | | \$11,694,430 | \$3,483 |

N - Direct award.

N/A - pass-through entity number not available.

See the accompanying notes to the schedule of federal awards expenditures.

Lawrence County Financial Condition
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - SUBRECIPIENTS

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

The sub-recipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under OMB Circular A-133, the County is responsible for monitoring sub-recipients 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 and are included as disbursements on the schedule.

Activity in the CDBG economic development loan funds during 2009 is as follows:

| | |
|---|-------------------------|
| Beginning loans receivable balance as of January 01, 2009 | \$240,905 |
| Loans made | 0 |
| Loan principal repaid on loans issued | <u>(5,934)</u> |
| Ending loans receivable balance as of December 31, 2009 | 234,971 |
| Cash balance on hand in the revolving loan fund as of December 31, 2009 | 32,388 |
| Administrative costs expenditures during 2009 | <u>2,060</u> |
| Total value of RLF portion of the CDBG 14.228 program | 269,419 |
| Other grants administered through the 14.228 program | <u>646,440</u> |
| Total CDBG CFDA #14.228 program | <u>\$915,859</u> |
| Delinquent amounts due as of December 31, 2009 | <u><u>\$184,971</u></u> |

Lawrence County Financial Condition
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2009

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 on non-federal matching funds is not included in the schedule.

NOTE E – FOOD DONATION

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 non-monetary assistance (expenditure) is reported in the schedule at the fair market value of commodities received.

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

NOTE F – TRANSFER BETWEEN FEDERAL PROGRAMS

During 2009, the County made allowable transfers of \$618,170 from the Temporary Assistance for Needy Families (93.558) program to the Social Services Block Grant (93.667) program. The amount reported for the Temporary Assistance for Needy Families program on the Supplementary Schedule excludes the amount transferred to the Social Services Block Grant program. The amount transferred to the Social Services Block Grant program is included in the federal program expenditures for these programs. The following table shows the gross amount drawn for the Temporary Assistance for Needy Families program during 2009 and the amount transferred to the Social Services Block Grant program.

| | |
|--|---------------------------|
| Temporary Assistance for Needy Families | \$ 4,781,936 |
| Social Services Block Grant | <u>(618,170)</u> |
| Total Temporary Assistance for Needy Families | <u>\$4,163,766</u> |



**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by
*Government Auditing Standards***

Board of Commissioners
Lawrence County Financial Condition
111 South 4th Street
Ironton, Ohio 45638

We have audited the financial statements of the governmental activities, business-type activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of Lawrence County, Ohio (the County), as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 30, 2010 wherein we noted the County prepared its financial statements on the cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We did not audit the financial statements of the Tri-State Industries and Choices, Inc. as of and for the year ended December 31, 2009, which are included as discrete presentation in the County's basic financial statements. These financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion insofar as it relates to the amounts included for Tri-State Industries and Choices, Inc. is solely based on the report of 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and timely corrected.

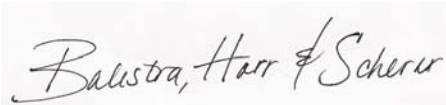
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items, 2009-001.

The County's response to the finding identified in our audit report is described in the accompanying Schedule of Findings. We did not audit the County's response and, accordingly, we express no opinion on it.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
September 30, 2010



Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

Board of County Commissioners
Lawrence County
111 South 4th Street 111 South 4th Street
Ironton, Ohio 45638

Compliance

We have audited the compliance of Lawrence County (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, 2009. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Lawrence County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2009.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the 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 in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

Internal Control over Compliance (Continued)

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected corrected. .

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

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.



Balestra, Harr & Scherer, CPAs, Inc.
September 30, 2010

LAWRENCE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A -133 Section .505
 December 31, 2009

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|--|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Was there any material weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other significant deficiencies 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) | Was there any material weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other significant deficiencies reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | No |
| (d)(1)(vii) | Major Programs (list): | Community Development Block Grant CFDA# 14.228 Workforce Investment Act Cluster CFDA# 17.258, 17.259, & 17.260 Supplemental Nutrition Assistance Program CFDA#10.561 Social Services Block Grant CFDA# 93.667 Temporary Assistance for Needy Families CFDA# 93.558 Medical Assistance Payments CFDA# 93.778 Child Support Enforcement CFDA# 93.563 Child Care Development Fund Cluster CFDA# 93.575, 93.596, 93.713 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 350,937 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

LAWRENCE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COST

OMB CIRCULAR A -133 Section .505

December 31, 2009

(Continued)

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

Finding Number 2009-001

Noncompliance Citation

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

Ohio Admin Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omitted 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.

The County should prepare its annual financial report in accordance with generally accepted accounting principles.

Clients Response: We do not feel that it is cost effective to report on a GAAP basis.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

LAWRENCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
FOR THE YEAR ENDED DECEMBER 31, 2009

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain |
|----------------|--|------------------|---|
| 2007-001 | Ohio Admin Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. | No | Not Corrected. Reissued as 2009-001. |
| 2007-002 | Office of Housing and Community Partnership Financial Management Rules and Regulations, Section (A)(3)(f), states the grantees must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. | Yes | |
| 2007-003 | 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 sub-grantees and 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 sub-grantee, 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. | Yes | |



Mary Taylor, CPA
Auditor of State

LAWRENCE COUNTY FINANCIAL CONDITION

LAWRENCE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 30, 2010**