

Lawrence County
Single Audit
For the Year Ended December 31, 2011



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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Lawrence County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2011 through December 31, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 7, 2012

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Lawrence County
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lawrence County, Ohio, (the County) as of and for the year ended December 31, 2011, 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, Inc., Choices Inc., or the Lawrence County Port Authority, which are included as discrete presentations in the County's basic financial statements. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Tri-State Industries, Inc., Choices Inc., and the Lawrence County Port Authority are 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Tri-State Industries, Inc. and Choices Inc. were not audited in accordance with *Government Auditing Standards*. 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 the 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 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. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lawrence County, Ohio, as of December 31, 2011, and the respective changes in cash basis financial position thereof, and the respective budgetary comparisons for the General Fund, Board of Developmental Disabilities Fund, Job and Family Services Fund, and Motor Vehicle Gasoline Tax Fund for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

As described in Note 21, the County implemented Governmental Accounting Standard Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

September 28, 2012

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
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, 2011, 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 2011 are as follows:

Overall (Primary Government):

Total net assets increased \$2,734,630 with governmental activities increasing by \$2,631,754 and business-type activities increasing by \$102,876.

Total cash receipts were \$51,593,136 in 2011.

Total program cash disbursements were \$48,858,506 in 2011.

Governmental Activities:

Total program cash receipts were \$26,921,006 in 2011, while program cash disbursements were \$42,862,641.

Program cash disbursements were primarily composed of human services, public safety, health, public works, legislative and executive, judicial, and capital outlay related cash disbursements which were \$10,192,674, \$6,312,658, \$9,290,805, \$4,155,332, \$3,839,854, \$3,621,963, and \$1,224,313, respectively in 2011.

Business-Type Activities:

Total program cash receipts were \$3,670,197 for business-type activities, while corresponding cash disbursements were \$5,995,865. Proceeds from loans provided an additional \$2,447,922.

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 the Lawrence County Port Authority.

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
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 2011?" 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 statements 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
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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 2011 compared to the prior year:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Assets						
Equity in Pooled Cash and Cash Equivalents	\$12,198,471	\$9,566,717	\$837,282	\$734,406	\$13,035,753	\$10,301,123
<i>Total Assets</i>	12,198,471	9,566,717	837,282	734,406	13,035,753	10,301,123
Net Assets						
Restricted	10,432,159	8,346,722	-	-	10,432,159	8,346,722
Unrestricted	1,766,312	1,219,995	837,282	734,406	2,603,594	1,954,401
<i>Total Net Assets</i>	\$12,198,471	\$9,566,717	\$837,282	\$734,406	\$13,035,753	\$10,301,123

Total assets and net assets increased by \$2,734,630 from 2010 to 2011, which will be further discussed below.

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Table 2 shows the changes in net assets for 2011 and 2010.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Cash Receipts						
<i>Program Cash Receipts</i>						
Charges for Sales and Services	\$7,586,309	\$5,231,158	\$2,483,555	\$2,020,485	\$10,069,864	\$7,251,643
Operating Grants and Contributions	19,246,403	18,918,686	-	-	19,246,403	18,918,686
Capital Grants and Contributions	88,294	1,981,759	1,186,642	1,843,163	1,274,936	3,824,922
Total Program Cash Receipts	26,921,006	26,131,603	3,670,197	3,863,648	30,591,203	29,995,251
<i>General Cash Receipts</i>						
Property Taxes	4,116,120	4,131,431	-	-	4,116,120	4,131,431
Sales Taxes	7,376,357	7,284,395	-	-	7,376,357	7,284,395
Payments in Lieu of Taxes	65,671	168,345	-	-	65,671	168,345
Grants and Entitlements Not Restricted	1,841,524	1,817,948	-	-	1,841,524	1,817,948
Interest	489,023	242,826	-	-	489,023	242,826
Miscellaneous	1,491,942	1,071,415	8,947	-	1,500,889	1,071,415
Proceeds from Sale of Notes	988,045	2,248,294	-	-	988,045	2,248,294
Proceeds from Lease Financing Agreement	83,250	820,522	-	-	83,250	820,522
Proceeds from Loans	-	-	2,447,922	3,802,663	2,447,922	3,802,663
Proceeds from Sale of Assets	2,093,132	299,815	-	-	2,092,132	299,815
Total General Cash Receipts	18,545,064	18,084,991	2,456,869	3,802,663	21,001,933	21,887,654
Total Cash Receipts	45,466,070	44,216,594	6,127,066	7,666,311	51,593,136	51,882,905
Cash Disbursements						
General Government:						
Legislative and Executive	3,839,854	3,667,264	-	-	3,839,854	3,667,264
Judicial	3,621,963	3,236,442	-	-	3,621,963	3,236,442
Public Safety	6,312,658	6,073,952	-	-	6,312,658	6,073,952
Public Works	4,155,332	4,604,741	-	-	4,155,332	4,604,741
Health	9,290,805	7,444,559	-	-	9,290,805	7,444,559
Human Services	10,192,674	11,091,021	-	-	10,192,674	11,091,021
Community and Economic Development	544,770	492,315	-	-	544,770	492,315
Transportation	212,642	20,978	-	-	212,642	20,978
Other	91,673	602,290	-	-	91,673	602,290
Capital Outlay	1,224,313	4,305,781	-	-	1,224,313	4,305,781
Debt Service:						
Principal Retirements	3,229,113	2,901,743	-	-	3,229,113	2,901,743
Interest and Fiscal Charges	146,844	146,903	-	-	146,844	146,903
Wastewater Treatment	-	-	5,995,865	8,575,518	5,995,865	8,575,518
Total Cash Disbursements	42,862,641	44,587,989	5,995,865	8,575,518	48,858,506	53,163,507
<i>Increase (Decrease) in Net Assets Before Transfers</i>						
Transfers	2,603,429	(371,395)	131,201	(909,207)	2,734,630	(1,280,602)
Total	28,325	-	(28,325)	-	-	-
<i>Increase (Decrease) in Net Assets After Transfers</i>						
Net Assets, Beginning	2,631,754	(371,395)	102,876	(909,207)	2,734,630	(1,280,602)
Net Assets, Ending	9,566,717	9,938,112	734,406	1,643,613	10,301,123	11,581,725
Total	\$12,198,471	\$9,566,717	\$837,282	\$734,406	\$13,035,753	\$10,301,123

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Governmental Activities Charges for sales and services increased by \$2,355,151 due primarily to a charge implemented in 2011 for EMS service. Interest receipts increased \$246,197 due to the maturity of certificates of deposit for which interest was not received until maturity. Proceeds from the sale of notes decreased \$1,260,249 due to the issuance of less new notes in 2011 than 2010 note issuances. Capital grants and contributions decreased due to decreased funding for various capital projects.

Property taxes and sales taxes made up 9 percent and 16 percent, respectively, of cash receipts for governmental activities for Lawrence County in 2011. Operating grants and contributions made up 42 percent of cash receipts for governmental activities for the County.

Health disbursements increased \$1,846,246 as a direct result of the closure of the Southeast Ohio Emergency Medical Services, as of December 31, 2010. As of January 1, 2011 the County started its own emergency medical services. Human services disbursements decreased \$898,347 primarily due to reduced funding for these programs. Capital outlay disbursements decreased \$3,081,468 due to decreased funding for various capital projects.

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 support is 43 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

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government:				
Legislative and Executive	\$3,839,854	\$2,849,018	\$3,667,264	\$2,877,606
Judicial	3,621,963	2,767,719	3,236,442	2,394,952
Public Safety	6,312,658	3,229,636	6,073,952	3,102,896
Public Works	4,155,332	847,103	4,604,741	1,165,610
Health	9,290,805	1,053,573	7,444,559	1,407,631
Human Services	10,192,674	1,374,669	11,091,021	2,117,207
Community and Economic Development	544,770	54,490	492,315	83,378
Transportation	212,642	21,269	20,978	3,553
Other	91,673	78,154	602,290	522,905
Capital Outlay	1,224,313	524,347	4,305,781	1,966,302
Debt Service:				
Principal Retirements	3,229,113	3,229,113	2,901,743	2,901,743
Interest and Fiscal Charges	146,844	(87,456)	146,903	(87,397)
<i>Total Cash Disbursements</i>	<u>\$42,862,641</u>	<u>\$15,941,635</u>	<u>\$44,587,989</u>	<u>\$18,456,386</u>

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Table 4
 Total Cost of Program Services
 Business-Type Activities

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Wastewater Treatment	\$5,995,865	\$2,325,668	\$8,575,518	\$4,711,870
<i>Total Cash Disbursements</i>	\$5,995,865	\$2,325,668	\$8,575,518	\$4,711,870

Business-Type Activities Business-type activities include wastewater treatment services. Overall net assets increased \$102,876 from 2010 to 2011. Program disbursements exceeded program receipts for the wastewater treatment segment in the amount of \$2,325,668 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 \$49,466,783 and cash disbursements and other financing uses of \$46,835,029. The net change in fund balance for the year was most significant in the Board of Developmental Disabilities Fund and the Motor Vehicle and Gas Tax Fund, where the Board of Developmental Disabilities Fund cash balance went from \$3,635,117 in 2010 to \$4,110,308 for 2011, and the Motor Vehicle and Gas Tax Fund Fund cash balance went from \$680,891 in 2010 to \$1,586,301 for 2011. For the Jobs and Family Services Fund, the fund balance increased \$31,990, while the fund balance of the General Fund increased \$371,825.

General Fund Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. For the General Fund, total actual receipts and other financing sources were \$14,269,819, above original budget estimates of \$13,231,335. The increase is due primarily to intergovernmental receipts. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$13,993,642, \$276,177 below cash receipts. Original budgeted appropriations and other financing uses were \$13,614,535, while final budgeted amounts were \$14,539,689. The difference is due primarily to transfers out.

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 \$1,224,313 and \$2,703,352 for its governmental activities and its business-type activities, respectively, during 2011.

Lawrence County
Management's Discussion and Analysis
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Debt

Under the cash basis of accounting the County does not report bonds, leases, 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, leases, long-term notes and short-term notes. At December 31, 2011, the County had \$1,352,682 outstanding in bonds and related long-term debt for governmental activities and \$27,831,900 outstanding in bonds and related long-term debt for business-type activities. As of December 31, 2011, the County had \$889,405 in 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 debt outstanding for governmental activities for 2011 and 2010:

Table 5
 Outstanding Debt at December 31
 Governmental Activities

	2011	2010*
General Obligation Bonds	\$412,535	\$648,743
Lease Financing Agreement	895,163	897,309
OPWC Promissory Note	44,984	54,981
Totals	\$1,352,682	\$1,601,033

* As restated.

Table 6 summarizes bonds and long-term debt outstanding for business-type activities for 2011 and 2010:

Table 6
 Outstanding Debt at December 31
 Business-Type Activities

	2011	2010
OWDA Loans	\$26,975,296	\$26,016,234
OPWC Promissory Notes	856,604	938,221
Total	\$27,831,900	\$26,954,455

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 Jason C. Stephens, 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, 2011

	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	\$ 12,198,471	\$ 837,282	\$ 13,035,753	\$ 47,973	\$ 38,506	\$ 218,325
<i>Total Assets</i>	<u>12,198,471</u>	<u>837,282</u>	<u>13,035,753</u>	<u>47,973</u>	<u>38,506</u>	<u>218,325</u>
NET ASSETS						
Restricted for:						
Developmental Disabilities	4,110,308	-	4,110,308	-	-	-
Job and Family Services	121,873	-	121,873	-	-	-
Motor Vehicle and Gas Tax	1,586,301	-	1,586,301	-	-	-
Supported Living	123,604	-	123,604	-	-	-
Real Estate Assessment	771,376	-	771,376	-	-	-
Court Development	272,843	-	272,843	-	-	-
Care and Custody	216,893	-	216,893	-	-	-
Family Resources	131,971	-	131,971	-	-	-
Child Support	104,281	-	104,281	-	-	-
GIS	185,327	-	185,327	-	-	-
EMS	201,754	-	201,754	-	-	-
Indigent Drivers	118,637	-	118,637	-	-	-
Common Pleas Court	126,403	-	126,403	-	-	-
Debt Service	187,518	-	187,518	-	-	-
Capital Projects	372,484	-	372,484	-	-	-
Other Purposes	1,800,586	-	1,800,586	47,973	38,506	218,325
Unrestricted	<u>1,766,312</u>	<u>837,282</u>	<u>2,603,594</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Net Assets</i>	<u>\$ 12,198,471</u>	<u>\$ 837,282</u>	<u>\$ 13,035,753</u>	<u>\$ 47,973</u>	<u>\$ 38,506</u>	<u>\$ 218,325</u>

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

Lawrence County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2011

	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	\$ 3,839,854	\$ 551,028	\$ 437,218	\$ 2,590
Judicial	3,621,963	523,720	330,524	-
Public Safety	6,312,658	1,256,593	1,826,429	-
Public Works	4,155,332	520,823	2,779,806	7,600
Health	9,290,805	3,007,606	5,229,626	-
Human Services	10,192,674	1,264,871	7,553,134	-
Community and Economic Development	544,770	66,985	423,295	-
Transportation	212,642	26,147	165,226	-
Other	91,673	13,519	-	-
Capital Outlay	1,224,313	120,717	501,145	78,104
Debt Service:				
Principal Retirements	3,229,113	-	-	-
Interest and Fiscal Charges	146,844	234,300	-	-
<i>Total Governmental Activities</i>	<u>42,862,641</u>	<u>7,586,309</u>	<u>19,246,403</u>	<u>88,294</u>
Business-Type Activities:				
Wastewater Treatment	5,995,865	2,483,555	-	1,186,642
<i>Total Business-Type Activities</i>	<u>5,995,865</u>	<u>2,483,555</u>	<u>-</u>	<u>1,186,642</u>
<i>Total Primary Government</i>	<u>\$ 48,858,506</u>	<u>\$ 10,069,864</u>	<u>\$ 19,246,403</u>	<u>\$ 1,274,936</u>
Component Units:				
Tri-State Industries, Inc.	\$ 1,200,735	\$ 391,708	\$ 716,380	\$ -
Choices, Inc.	197,078	142,937	9,137	-
Lawrence County Port Authority	2,441,032	620,573	703,614	1,031,844
<i>Total Component Units</i>	<u>\$ 3,838,845</u>	<u>\$ 1,155,218</u>	<u>\$ 1,429,131</u>	<u>\$ 1,031,844</u>

General Cash Receipts and Transfers:
Property Taxes Levied for:
 General Purposes
 MRDD
 Sales Taxes
 Payments in Lieu of Taxes
 Grants and Entitlements, Not Restricted to Specific Programs
Transfers In (Out)
Proceed from Sale of Notes
Proceed from Lease Financing Agreement
Proceed from OWDA 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
\$ (2,849,018)	\$ -	\$ (2,849,018)	\$ -	\$ -	\$ -
(2,767,719)	-	(2,767,719)	-	-	-
(3,229,636)	-	(3,229,636)	-	-	-
(847,103)	-	(847,103)	-	-	-
(1,053,573)	-	(1,053,573)	-	-	-
(1,374,669)	-	(1,374,669)	-	-	-
(54,490)	-	(54,490)	-	-	-
(21,269)	-	(21,269)	-	-	-
(78,154)	-	(78,154)	-	-	-
(524,347)	-	(524,347)	-	-	-
(3,229,113)	-	(3,229,113)	-	-	-
87,456	-	87,456	-	-	-
<u>(15,941,635)</u>	<u>-</u>	<u>(15,941,635)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(2,325,668)	(2,325,668)	-	-	-
-	<u>(2,325,668)</u>	<u>(2,325,668)</u>	-	-	-
(15,941,635)	(2,325,668)	(18,267,303)	-	-	-
			(92,647)	-	-
			-	(45,004)	-
			<u>-</u>	<u>-</u>	<u>(85,001)</u>
			(92,647)	(45,004)	(85,001)
2,404,708	-	2,404,708	-	-	-
1,711,412	-	1,711,412	-	-	-
7,376,357	-	7,376,357	-	-	-
65,671	-	65,671	-	-	-
1,841,524	-	1,841,524	-	-	-
28,325	(28,325)	-	-	-	-
988,045	-	988,045	-	-	-
83,250	-	83,250	-	-	-
-	2,447,922	2,447,922	-	-	-
2,093,132	-	2,093,132	-	-	-
489,023	-	489,023	1,231	-	137,226
<u>1,491,942</u>	<u>8,947</u>	<u>1,500,889</u>	<u>28,803</u>	<u>-</u>	<u>4,175</u>
<u>18,573,389</u>	<u>2,428,544</u>	<u>21,001,933</u>	<u>30,034</u>	<u>-</u>	<u>141,401</u>
2,631,754	102,876	2,734,630	(62,613)	(45,004)	56,400
<u>9,566,717</u>	<u>734,406</u>	<u>10,301,123</u>	<u>110,586</u>	<u>83,510</u>	<u>161,925</u>
<u>\$ 12,198,471</u>	<u>\$ 837,282</u>	<u>\$ 13,035,753</u>	<u>\$ 47,973</u>	<u>\$ 38,506</u>	<u>\$ 218,325</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, 2011*

	General	Board of Developmental Disabilities	Job and Family Services	Motor Vehicle Gasoline Tax	All Other Governmental Funds	Total Governmental Funds
CASH RECEIPTS						
Property Taxes	\$ 2,404,708	\$ 1,711,412	\$ -	\$ -	\$ -	\$ 4,116,120
Sales Taxes	7,376,357	-	-	-	-	7,376,357
Payments in Lieu of Taxes	63,430	2,241	-	-	-	65,671
Charges for Services	1,721,456	626,418	806,097	-	4,044,741	7,198,712
Licenses and Permits	3,612	-	-	-	728	4,340
Fines and Forfeitures	363,503	-	-	19,637	117	383,257
Intergovernmental	1,552,005	3,756,244	5,458,235	4,970,603	5,439,134	21,176,221
Interest	349,903	110,956	-	23,379	4,785	489,023
Other	687,215	248,026	10,982	90,864	454,855	1,491,942
<i>Total Cash Receipts</i>	<u>14,522,189</u>	<u>6,455,297</u>	<u>6,275,314</u>	<u>5,104,483</u>	<u>9,944,360</u>	<u>42,301,643</u>
CASH DISBURSEMENTS						
Current:						
General Government:						
Legislative and Executive	3,253,812	-	-	-	586,042	3,839,854
Judicial	3,236,504	-	-	-	385,459	3,621,963
Public Safety	3,962,092	-	-	-	2,350,566	6,312,658
Public Works	524,050	-	-	3,577,536	53,746	4,155,332
Health	165,164	5,950,497	-	-	3,175,144	9,290,805
Human Services	471,992	-	6,324,320	-	3,396,362	10,192,674
Community and Economic Development	-	-	-	-	544,770	544,770
Transportation	-	-	-	-	212,642	212,642
Other	91,673	-	-	-	-	91,673
Capital Outlay	26,976	35,109	-	186,641	975,587	1,224,313
Debt Service:						
Principal Retirements	25,284	-	-	-	3,203,829	3,229,113
Interest and Fiscal Charges	3,313	-	-	-	143,531	146,844
<i>Total Cash Disbursements</i>	<u>11,760,860</u>	<u>5,985,606</u>	<u>6,324,320</u>	<u>3,764,177</u>	<u>15,027,678</u>	<u>42,862,641</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>2,761,329</u>	<u>469,691</u>	<u>(49,006)</u>	<u>1,340,306</u>	<u>(5,083,318)</u>	<u>(560,998)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	200,705	5,500	80,996	-	3,710,460	3,997,661
Advances In	-	-	-	-	3,052	3,052
Proceeds from Sale of Notes	-	-	-	-	988,045	988,045
Proceeds from Lease Financing Agreement	-	-	-	-	83,250	83,250
Proceeds from Sale of Assets	-	-	-	-	2,093,132	2,093,132
Transfers Out	(2,590,209)	-	-	(434,896)	(944,231)	(3,969,336)
Advances Out	-	-	-	-	(3,052)	(3,052)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,389,504)</u>	<u>5,500</u>	<u>80,996</u>	<u>(434,896)</u>	<u>5,930,656</u>	<u>3,192,752</u>
<i>Net Change in Fund Cash Balances</i>	<u>371,825</u>	<u>475,191</u>	<u>31,990</u>	<u>905,410</u>	<u>847,338</u>	<u>2,631,754</u>
<i>Cash Basis Fund Balances at Beginning of Year-As Restated</i>	<u>1,394,487</u>	<u>3,635,117</u>	<u>89,883</u>	<u>680,891</u>	<u>3,766,339</u>	<u>9,566,717</u>
<i>Cash Basis Fund Balances at End of Year</i>	<u>\$ 1,766,312</u>	<u>\$ 4,110,308</u>	<u>\$ 121,873</u>	<u>\$ 1,586,301</u>	<u>\$ 4,613,677</u>	<u>\$ 12,198,471</u>
CASH BASIS ASSETS AT END OF YEAR						
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,766,312</u>	<u>\$ 4,110,308</u>	<u>\$ 121,873</u>	<u>\$ 1,586,301</u>	<u>\$ 4,613,677</u>	<u>\$ 12,198,471</u>
<i>Total Assets</i>	<u>\$ 1,766,312</u>	<u>\$ 4,110,308</u>	<u>\$ 121,873</u>	<u>\$ 1,586,301</u>	<u>\$ 4,613,677</u>	<u>\$ 12,198,471</u>
CASH FUND BALANCES AT YEAR END						
Nonspendable	\$ 131,967	\$ -	\$ -	\$ -	\$ -	\$ 131,967
Restricted	-	4,110,308	121,873	1,586,301	4,613,677	10,432,159
Assigned	130,915	-	-	-	-	130,915
Unassigned	1,503,430	-	-	-	-	1,503,430
<i>Total Cash Basis Fund Balances</i>	<u>\$ 1,766,312</u>	<u>\$ 4,110,308</u>	<u>\$ 121,873</u>	<u>\$ 1,586,301</u>	<u>\$ 4,613,677</u>	<u>\$ 12,198,471</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
RECEIPTS				
Property Taxes	\$ 2,535,000	\$ 2,404,708	\$ 2,404,708	\$ -
Sales Taxes	6,650,080	7,376,357	7,376,357	-
Payments in Lieu of Taxes	57,185	63,430	63,430	-
Charges for Services	1,327,646	1,283,470	1,283,470	-
Licenses and Permits	3,256	3,612	3,612	-
Fines and Forfeitures	327,712	363,503	363,503	-
Intergovernmental	1,399,194	1,552,005	1,552,005	-
Interest	315,452	347,190	347,190	-
Other	615,810	674,839	674,839	-
<i>Total Receipts</i>	<u>13,231,335</u>	<u>14,069,114</u>	<u>14,069,114</u>	<u>-</u>
DISBURSEMENTS				
Current:				
General Government:				
Legislative and Executive	3,475,393	3,330,107	3,330,095	12
Judicial	3,014,390	2,928,282	2,928,282	-
Public Safety	4,149,320	3,975,847	3,975,847	-
Public Works	546,915	524,050	524,050	-
Health	172,715	165,494	165,494	-
Human Services	492,586	471,992	471,992	-
Capital Outlay	63,216	60,573	60,573	-
<i>Total Disbursements</i>	<u>11,914,535</u>	<u>11,456,345</u>	<u>11,456,333</u>	<u>12</u>
Excess of Receipts Over Disbursements	<u>1,316,800</u>	<u>2,612,769</u>	<u>2,612,781</u>	<u>12</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	-	200,705	200,705	-
Transfers Out	(1,700,000)	(3,083,344)	(2,537,309)	546,035
<i>Total Other Financing Sources (Uses)</i>	<u>(1,700,000)</u>	<u>(2,882,639)</u>	<u>(2,336,604)</u>	<u>546,035</u>
<i>Net Change in Fund Balance</i>	<u>(383,200)</u>	<u>(269,870)</u>	<u>276,177</u>	<u>546,047</u>
<i>Fund Balance at Beginning of Year - As Restated</i>	910,004	910,004	910,004	-
<i>Prior Year Encumbrances Appropriated</i>	<u>87,249</u>	<u>87,249</u>	<u>87,249</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 614,053</u>	<u>\$ 727,383</u>	<u>\$ 1,273,430</u>	<u>\$ 546,047</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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
RECEIPTS				
Property Taxes	\$ 1,798,847	\$ 1,711,412	\$ 1,711,412	\$ -
Payments in Lieu of Taxes	1,985	2,241	2,241	-
Charges for Services	554,752	626,418	626,418	-
Intergovernmental	3,326,504	3,756,244	3,756,244	-
Interest	98,262	110,956	110,956	-
Other	219,650	248,026	248,026	-
<i>Total Receipts</i>	<u>6,000,000</u>	<u>6,455,297</u>	<u>6,455,297</u>	<u>-</u>
DISBURSEMENTS				
Current:				
Health	-	6,069,509	5,987,595	81,914
Capital Outlay	-	87,548	87,473	75
<i>Total Disbursements</i>	<u>-</u>	<u>6,157,057</u>	<u>6,075,068</u>	<u>81,989</u>
<i>Excess of Receipts Over Disbursements</i>	<u>6,000,000</u>	<u>298,240</u>	<u>380,229</u>	<u>81,989</u>
OTHER FINANCING SOURCES:				
Transfers In	-	5,500	5,500	-
Total Other Financing Sources	<u>-</u>	<u>5,500</u>	<u>5,500</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	6,000,000	303,740	385,729	81,989
<i>Fund Balance at Beginning of Year</i>	3,628,205	3,628,205	3,628,205	-
<i>Prior Year Encumbrances Appropriated</i>	<u>6,912</u>	<u>6,912</u>	<u>6,912</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 9,635,117</u>	<u>\$ 3,938,857</u>	<u>\$ 4,020,846</u>	<u>\$ 81,989</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
RECEIPTS				
Intergovernmental	\$ 7,734,215	\$ 5,458,235	\$ 5,458,235	\$ -
Charges for Services	1,142,224	806,097	806,097	-
Other	15,561	10,982	10,982	-
<i>Total Receipts</i>	<u>8,892,000</u>	<u>6,275,314</u>	<u>6,275,314</u>	<u>-</u>
DISBURSEMENTS				
Current:				
Human Services	8,892,000	6,378,565	6,378,565	-
<i>Total Disbursements</i>	<u>8,892,000</u>	<u>6,378,565</u>	<u>6,378,565</u>	<u>-</u>
Excess of Receipts Under Disbursements	-	(103,251)	(103,251)	-
OTHER FINANCING SOURCES				
Transfers In	-	80,996	80,996	-
<i>Total Other Financing Sources</i>	<u>-</u>	<u>80,996</u>	<u>80,996</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	-	(22,255)	(22,255)	-
<i>Fund Balance at Beginning of Year</i>	43,860	43,860	43,860	-
<i>Prior Year Encumbrances Appropriated</i>	<u>46,023</u>	<u>46,023</u>	<u>46,023</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 89,883</u>	<u>\$ 67,628</u>	<u>\$ 67,628</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
RECEIPTS				
Fines and Forfeitures	\$ 16,542	\$ 19,637	\$ 19,637	\$ -
Intergovernmental	4,187,220	4,970,603	4,970,603	-
Interest	19,694	23,379	23,379	-
Other	76,544	90,864	90,864	-
<i>Total Receipts</i>	<u>4,300,000</u>	<u>5,104,483</u>	<u>5,104,483</u>	<u>-</u>
DISBURSEMENTS				
Current:				
Public Works	4,272,500	4,221,768	3,954,484	267,284
Capital Outlay	-	235,187	228,941	6,246
<i>Total Disbursements</i>	<u>4,272,500</u>	<u>4,456,955</u>	<u>4,183,425</u>	<u>273,530</u>
Excess of Receipts Over Disbursements	<u>27,500</u>	<u>647,528</u>	<u>921,058</u>	<u>(273,530)</u>
OTHER FINANCING USES				
Transfers Out	-	(434,896)	(434,896)	-
Total Other Financing Uses	<u>-</u>	<u>(434,896)</u>	<u>(434,896)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	27,500	212,632	486,162	273,530
<i>Fund Balance at Beginning of Year</i>	511,540	511,540	511,540	-
<i>Prior Year Encumbrances Appropriated</i>	<u>169,351</u>	<u>169,351</u>	<u>169,351</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 708,391</u>	<u>\$ 893,523</u>	<u>\$ 1,167,053</u>	<u>\$ 273,530</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, 2011*

	Union-Rome Sewer Fund
OPERATING CASH RECEIPTS	
Charges for Services	\$ 2,483,555
Other	8,947
	<u>2,492,502</u>
<i>Total Operating Cash Receipts</i>	<u>2,492,502</u>
OPERATING CASH DISBURSEMENTS	
Salaries and Benefits	800,295
Contractual Services	521,541
Materials and Supplies	76,643
Capital Outlay	2,703,352
Other	11,760
	<u>4,113,591</u>
<i>Total Operating Cash Disbursements</i>	<u>4,113,591</u>
Excess of Operating Cash Receipts Under Operating Cash Disbursements	(1,621,089)
NON-OPERATING CASH RECEIPTS (CASH DISBURSEMENTS)	
Proceeds from OWDA Loan	2,447,922
Interest and Fiscal Charges	(311,797)
Principal Retirement	(1,570,477)
	<u>565,648</u>
<i>Total Non-Operating Cash Receipts (Cash Disbursements)</i>	<u>565,648</u>
<i>Cash Receipts Under Cash Disbursements Before Transfers</i>	(1,055,441)
Transfers In	20,982
Transfers Out	(49,307)
	<u>(1,083,766)</u>
Cash Receipts Under Cash Disbursements Before Capital Contributions	(1,083,766)
Capital Grants and Contributions	1,186,642
	<u>102,876</u>
<i>Change in Net Cash Assets</i>	<u>102,876</u>
<i>Net Cash Assets at Beginning of Year</i>	<u>734,406</u>
<i>Net Cash Assets at End of Year</i>	<u>\$ 837,282</u>
CASH BASIS ASSETS AT END OF YEAR	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 837,282</u>
NET CASH ASSETS AT END OF YEAR	
Unrestricted	<u>\$ 837,282</u>

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

Lawrence County
Statement of Fiduciary Net Assets - Cash Basis
As of December 31, 2011

	<u>Agency Funds</u>
ASSETS	
Equity Pooled in Cash and Cash Equivalents	\$ 3,392,630
Cash and Cash Equivalents in Segregated Accounts	<u>1,012,950</u>
<i>Total Assets</i>	<u>\$ 4,405,580</u>
Net Cash Assets	<u>\$ 4,405,580</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 Developmental Disabilities (DD) obtains grants to subsidize the purchase of houses for Choices, Inc. Choices, Inc. then rents the houses to developmentally disabled tenants. Based on the significant resources provided by the County to Choices, Inc. and Choices' sole purpose of providing housing to 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 Developmental Disabilities (DD), provides sheltered employment for developmentally disabled or handicapped adults in Lawrence County. The Lawrence County Board of 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 developmentally disabled 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 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 was 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 was 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
Ironton-Lawrence County Community Action Organization
The KYOVA Interstate Planning Commission
Ohio Valley Regional Development Commission
Ohio Valley Resource Conservation and Development Area, Inc.

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

Buckeye Joint-County Self-Insurance Council
County Commissioners Association of Ohio Workers' 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 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 is used to provide assistance and training to developmentally disabled individuals. The primary sources of funding are various federal and state grants and a property tax levy.

Job and Family Services Special Revenue Fund

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

Motor Vehicle Gasoline Tax Special Revenue Fund

This fund is used for maintenance and repair of roads and bridges. The primary sources of funding are monies received from state gasoline tax and motor vehicle registration fees.

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. The major ongoing source of funding is charges for services.

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)

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

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the County Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the County Commissioners.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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, 2011. 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 2011, interest receipts amounted to \$489,023 in which \$349,903 was recorded in the General Fund; \$110,956 was recorded in the Board of Developmental Disabilities Special Revenue Fund; \$23,379 was recorded in the Motor Vehicle Gasoline Tax Special Revenue Fund; and \$4,785 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$10,432,159 of restricted net assets, none is restricted by enabling legislation.

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.

Interfund Receivables/Payable

The County reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

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;

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

A. Primary Government (Continued)

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);
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.

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

A. Primary Government (Continued)

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 \$19,053,707 was either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner as described above.

B. Component Units

At year-end, the carrying amount of Tri-State Industries' deposits was \$47,973. The entire amount was covered by federal deposit insurance.

At year-end, the carrying amount of Choices, Inc.'s deposits was \$38,506. The entire amount was covered by federal deposit insurance.

At year-end, the carrying amount of the Lawrence County Port Authority's deposits was \$218,325. The entire amount was covered by federal depository insurance.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 4 - BUDGETARY BASIS FUND BALANCES

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances and funds included as part of the General Fund for cash reporting purposes, but excluded for budgetary purposes. 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	\$1,273,430	\$4,020,846	\$67,628	\$1,167,053
Encumbrances	103,396	89,462	54,245	419,248
Excluded Funds for Budget Purposes	389,486	-	-	-
Fund Cash Balances	<u>\$1,766,312</u>	<u>\$4,110,308</u>	<u>\$121,873</u>	<u>\$1,586,301</u>

NOTE 5 - PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2011 for real and public utility property taxes represents collection of 2010 taxes. Property tax payments received during 2011 for tangible personal property (other than public utility property) is for 2011 taxes.

2011 real property taxes are levied after October 1, 2010 on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are intended to finance 2012.

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. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

2010 tangible personal property taxes are levied after October 1, 2010, on the value as of December 31, 2010. Collections are made in 2011. Due to the phase out which began in 2005, the tangible personal property tax percentage fell to zero in 2009 for businesses. Therefore, Ohio no longer has a general tax on tangible personal property used in business. The tax temporarily applies to telephone and inter-exchange telecommunications companies, which is being phased out to 10% for 2009, 5% for 2010, and zero for 2011. After 2011, tangible personal property, exclusive of public utility tangible personal property, will not be subject to tax.

The assessed value for the taxes levied in 2011 was \$870,047,530 of which real property represented 92 percent (\$797,393,830) of the total and public utility property represented 8 percent (\$72,653,700) of the total. The full tax rate for all County operations for taxes collected in 2011 was \$5.60 per \$1,000 of assessed valuation.

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

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

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

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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	\$43,895,063	\$1,000
Inland Marine	\$3,102,615	\$1,000
Auto Comprehensive	Per Schedule	\$100
Auto Collision	Per Schedule	\$250
Employees Benefits Liability	\$1,000,000/\$3,000,000	\$1,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. For 2011, 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. In April 1998 a one half percent Permissive Sales and Use Tax, as allowed by Sections 5739.02 and 5742.02, Revised Code was also adopted. Sales and use tax revenue for 2011 amounted to \$7,376,357 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 visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, 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 2011, 2010, and 2009 member contribution rates were 10.0%, 10.0%, and 10.0%, respectively, for members in state, and local classifications. Public safety and law enforcement members contributed at a rate of 11.0%, 10.5%, and 10.1%, respectively.

The 2011, 2010 and 2009 employer contribution rate for state and local government employers was 14.0%, 14.0%, and 14.0%, respectively, of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rates were 18.10%, 17.87%, and 17.63%, respectively.

The County's contributions to OPERS for the years ended December 31, 2011, 2010, and 2009, were \$2,516,181, \$2,596,949, and \$2,418,643, respectively. 100% has been contributed for 2011, 2010 and 2009.

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, 2011, 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.

NOTE 8 - RETIREMENT SYSTEMS (Continued)

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.

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.

NOTE 8 - RETIREMENT SYSTEMS (Continued)

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, 2011, 2010, and 2009, 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, 2011, 2010, and 2009 were \$113,537, \$105,093, and \$99,189, respectively; 100 percent has been contributed for 2011, 2010, and 2009.

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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 800-222-7377.

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

- 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 2011, 2010, and 2009, local government employer units contributed at 14.0%, 14.0%, and 14.0%, respectively, of covered payroll, and public safety and law enforcement employer units contributed at 18.10%, 17.87%, and 17.63%, 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 2011, the employer contributions allocated to the health care plan were 4.0%. For 2010, the employer contributions allocated to the health care plan from January 1 through February 28, 2010 and March 1 through December 31, 2010 were 5.5% and 5.0% respectively. 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. 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 \$1,006,472, \$942,940, and \$1,173,425 for 2011, 2010, and 2009, respectively; 100 percent has been contributed for 2011, 2010, and 2009.
- 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, 2011, 2010 and 2009. For the County, these amounts equaled \$8,110, \$7,507, and \$7,084, respectively, for fiscal years 2011, 2010, and 2009, respectively; 100 percent has been contributed for 2011, 2010, and 2009.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 2011 is as follows:

<u>Governmental Long-Term Obligations:</u>	Outstanding*			Outstanding		Due In
	12/31/2010	Additions	Deletions	12/31/2011	One Year	
Series 2003 1.9-4.85%						
Office Building Refunding Bonds	\$ 455,000	\$ -	\$ 145,000	\$ 310,000	\$ 150,000	
Series 2005B 3.71% Equipment Bond	109,751	-	20,267	89,484	21,076	
Real Estate Acquisition 2002 4.02%						
General Obligation Bonds	25,598	-	12,547	13,051	13,051	
Series 2006 4.24% Equipment Bond	19,746	-	19,746	-	-	
5.68% County Building Improvement Bond	38,648	-	38,648	-	-	
Subtotal General Obligation Bonds	648,743	-	236,208	412,535	184,127	
Lease Financing Agreement 2010 5.877%	820,522	-	29,778	790,744	31,528	
Lease Financing Agreement 2009 6.35%	52,173	-	25,284	26,889	26,889	
Lease Financing Agreement 2009 7.25%	24,614	-	7,638	16,976	8,191	
Lease Financing Agreement 2011 6.10%	-	83,250	22,696	60,554	19,002	
OPWC Promissory Note						
1995 0.00%	54,981	-	9,997	44,984	9,997	
Total Governmental Long-Term Obligations	<u>\$ 1,601,033</u>	<u>\$ 83,250</u>	<u>\$ 331,601</u>	<u>\$ 1,352,682</u>	<u>\$ 279,734</u>	

* As restated.

<u>Union-Rome Sewer Fund Obligations:</u>	Outstanding			Outstanding		Due In
	12/31/2010	Additions	Deletions	12/31/2011	One Year	
Sewer 1998 7.11% OWDA Loan	\$ 75,428	\$ -	\$ 36,520	\$ 38,908	\$ 38,908	
Sewer 1998 9.78% OWDA Loan	759,348	-	363,181	396,167	396,167	
Sewer 2007 3.25% OWDA Loan	24,837,120	-	96,949	24,740,171	-	
Sewer 1985 2.00% OWDA Loan	204,682	-	100,538	104,144	104,144	
OWDA Loan Agreement #5423, 2010, 0%	-	2,033,390	891,672	1,141,718	-	
OWDA Loan 5424	139,656	414,532	-	554,188	-	
Subtotal OWDA Loans	26,016,234	2,447,922	1,488,860	26,975,296	539,219	
OPWC Promissory Note						
1995 0.00%	415,721	-	54,117	361,604	54,117	
OPWC Promissory Note 2009 0.00%	522,500	-	27,500	495,000	27,500	
Subtotal Non OWDA	938,221	-	81,617	856,604	81,617	
Total Union-Rome-Sewer Fund Obligations	<u>\$ 26,954,455</u>	<u>\$ 2,447,922</u>	<u>\$ 1,570,477</u>	<u>\$ 27,831,900</u>	<u>\$ 620,836</u>	

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 10 - DEBT OBLIGATIONS (Continued)

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.

The real estate acquisition bonds issued in 2002 in the amount of \$110,000 were used to pay for a real estate acquisition. The debt will be retired from property taxes.

The equipment acquisition bonds issued in 2005 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 2006 in the amount of \$180,000 were used to purchase computer equipment 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 1995 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 2009 in the amount of \$550,000 for wastewater treatment plant improvements. The debt will be paid from sewer charges.

The County entered into a lease financing agreement in February 2010 in the amount of \$820,522 for the purpose of various energy conservation improvements. The lease financing agreement will be retired from the debt service fund.

The County entered into a lease financing agreement in May 2009 in the amount of \$104,544 for the purpose of purchasing four police cruisers. The lease financing agreement will be retired from the General Fund.

The County entered into a lease financing agreement in May 2009 in the amount of \$34,036 for the purpose of purchasing a prisoner van. The lease financing agreement will be retired from the Cruiser capital project fund.

The County entered into a lease agreement in 2011 in the amount of \$83,250 for the purpose of obtaining vehicles for the Sheriff's department. The remaining lease balance at December 2011 was \$60,554. The lease financing agreement will be retired from the general fund.

In 2010, the County failed to make payments due on its 2007 WPCLF Loan Number 4781. On May 18, 2010, the Ohio Water Development Authority (OWDA) filed a complaint in the Franklin County Court of Common Pleas. On February 10, 2011, a mutual release and settlement agreement was entered into between OWDA and the County wherein the parties negotiated new terms surrounding the repayment of the loan.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 10 - DEBT OBLIGATIONS (Continued)

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	Lease Financing Agreement Principal	Lease Financing Agreement Interest
2012	\$184,127	\$15,418	\$9,997	\$85,610	\$53,104
2013	181,916	6,609	9,997	62,327	47,791
2014	22,791	1,855	9,997	56,733	43,963
2015	23,701	946	9,997	46,419	40,581
2016	-	-	4,996	49,148	37,853
2017-2021	-	-	-	292,612	142,388
2022-2025	-	-	-	302,314	45,684
Total	\$412,535	\$24,828	\$44,984	\$895,163	\$411,364

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 was amended in 2009 and 2010 and as of December 31, 2011, \$24,740,171 was outstanding, 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. These loan award amounts have been amended and as of December 31, 2011, \$4,430,741 has been drawn, including capitalized interest. \$2,734,835 has been repaid with ARRA principal forgiveness grants. The remaining 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:

<u>Year Ending December 31</u>	OWDA Principal	OWDA Interest	OPWC Loans
2012	\$539,219	\$43,731	\$81,617
2013	-	-	81,617
2014	-	-	81,617
2015	-	-	81,617
2016	-	-	81,617
2017-2021	-	-	228,519
2022-2026	-	-	137,500
2027-2030	-	-	82,500
	\$539,219	\$43,731	\$856,604

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. The OWDA Union-Rome WWTP Biosolids loan (#5424) has also not yet been completed and therefore an amortization schedule has not yet been completed.

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 \$582,950. The loans that have been excluded from the preceding amortization schedule have not been fully drawn and as such an amortization schedule has not yet been prepared.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 10 - DEBT OBLIGATIONS (Continued)

Total principal on these loans outstanding at December 31, 2011 was \$26,436,077 and interest estimated to be payable on this balance is \$4,060,014. The net revenue available for these loans was (\$1,621,089) and principal and interest paid was \$908,984. The coverage ratio for the loans was (0.55) for the year ended December 31, 2011.

Conduit Debt The County has Industrial Development Revenue Bonds outstanding in the aggregate principal of \$310,000 at December 31, 2011 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.

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, 2011, follows:

		Outstanding 12/31/10	Issued	Retired	Outstanding 12/31/11	Due Within One Year
<u>Governmental Activities</u>						
Various Purpose Bond Anticipation Note	3.03%	\$479,328	\$0	\$42,848	\$436,480	\$45,140
County Building Improvement Bond Anticipation Note	2.99%	35,000	30,000	35,000	30,000	30,000
Computer Equip. Note	3.23%	71,250	0	6,370	64,880	6,710
Land Acquisition Note	3.45%	2,072,249	0	2,072,249	0	0
Road Improvement BAN	4.73%	0	40,000	0	40,000	3,220
New Group Home Real Estate Note	1.75%	141,045	136,045	141,045	136,045	136,045
Ambulance Acquisition Note	2.49%	0	182,000	0	182,000	63,502
Revenue Anticipation Note	1.00%	0	600,000	600,000	0	0
Total Notes Payable		\$2,798,872	\$988,045	\$2,897,512	\$889,405	\$284,617

The various purpose bond anticipation notes in the amount of \$520,000 were issued on May 1, 2010 and were amortized over 10 years. The building improvement acquisition bond anticipation note in the amount of \$35,000 was issued in October 2010 and matured on October 2011. A new note in the amount of \$30,000 was issued in October 2011 and matures in October 2012. The computer equipment acquisition note in the amount of \$77,296 was issued on May 8, 2009 was amortized over 10 years. On November 19, 2010, the County issued Land Acquisition Bond Anticipation Notes in the amount of \$2,072,249 which matured and were paid off on November 19, 2011. The County issued bond anticipation notes in the amount of \$40,000 which mature on March 17, 2012 for the purpose of paying the County's share of making improvements to North Huntington Heights Road in the Village of Chesapeake. The New Group Home Real Estate Note in the amount of \$141,045 was issued on December 9, 2010 and matured on December 1, 2011. A new note in the amount of \$136,045 was issued on December 29, 2011 and matures on December 28, 2012. The County issued bond anticipation notes on April 18, 2011 in the amount of \$182,000 for the purpose of purchasing two ambulances which mature on April 18, 2012. The County issued revenue anticipation notes in the amount of \$600,000 on January 4, 2011 for the purpose of providing general operating funds for the County to operate an emergency medical services to county residents which matured on September 1, 2011. 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 2011.

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 2011, the County paid the CAO \$1,802,329 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 2011, the County made \$32,309 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.

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2011, the County made \$10,691 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 2011.

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 2011, Lawrence County paid \$269,956 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 2011.

Lawrence County contributed \$286,656 to the District during 2011. 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 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, 2011, 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 DD. In Tri-State Industries, Inc.'s fiscal year 2011, these contributions were \$716,380.

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 Choices' fiscal year 2011, these contributions were \$142,965.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 18-INTERFUND ACTIVITY

Advances

The VOCA Nonmajor Special Revenue Fund advanced \$3,052 to the Lawrence Drug Task Nonmajor Special Revenue Fund in anticipation of intergovernmental receipts.

Transfers

<u>Major Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$200,705	\$2,590,209
Board of Developmental Disabilities	5,500	-
Job and Family Services	80,996	-
Motor Vehicle Gasoline Tax	-	434,896
Other Governmental Funds	3,710,460	944,231
Total Governmental Funds	<u>3,997,661</u>	<u>3,969,336</u>
Union Rome	20,982	49,307
Grand Total	<u>\$4,018,643</u>	<u>\$4,018,643</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 for allowable transfers from the Law Library Fund, Cops Tech Fund, and the Clerk of Courts Title Fund. Transfers from other governmental funds to other governmental funds were for debt service. Transfers from the Motor Vehicle 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.

The County did not make certain debt payments timely in accordance with established debt agreements.

NOTE 20-SUBSEQUENT EVENTS

In February, 2012, the County issued bond anticipation notes in the amount of \$3,000,000 for the purpose of providing funds for the County to perform road improvement projects.

During 2012, an allegation was made against an employee in the Treasurer's Office which involved theft of property tax receipts. An investigation was performed by the Sheriff's Department. Restitution was made in full by the now former employee. Although the matter was investigated and resolved, additional information may come to light subsequent to the date of this audit report; however, County officials do not expect there to be a materially adverse effect on the financial condition of the County.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES

For fiscal year 2011, the County has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The implementation of this statement resulted in the reclassification of certain funds, and resulted in the following restatement of the County’s financial statements:

	General	Board of DD	Job and Family Services	Motor Vehicle Gas Tax	All Other Governmental Funds	Total
Fund Balances, January 1, 2011	\$1,219,995	\$3,635,117	\$89,883	\$680,891	\$3,940,831	\$9,566,717
GASB 54 Fund Reclassifications	174,492	0	0	0	(174,492)	0
Restated Fund Balances, January 1, 2011	<u>\$1,394,487</u>	<u>\$3,635,117</u>	<u>\$89,883</u>	<u>\$680,891</u>	<u>\$3,766,339</u>	<u>\$9,566,717</u>

	General Budgetary
Fund Balances, January 1, 2011	\$1,155,979
Funds Not Included as Part of the General Fund for Budgetary Purposes	<u>(245,975)</u>
Restated Fund Balances, January 1, 2011	<u>\$910,004</u>

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 22 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	DD	Job and Family Services	Motor Vehicle Gas Tax	All Other Governmental Funds	Total Governmental Funds
Nonspendable						
Unclaimed	\$131,967	\$0	\$0	\$0	\$0	\$131,967
Restricted for						
LCBDD	0	4,110,308	0	0	0	4,110,308
Job and Family Services	0	0	121,873	0	0	121,873
Motor Vehicle Gas Tax	0	0	0	1,586,301	0	1,586,301
Supported Living	0	0	0	0	123,604	123,604
Real Estate Assessment	0	0	0	0	771,376	771,376
Court Development	0	0	0	0	272,843	272,843
Care and Custody	0	0	0	0	216,893	216,893
Family Resources	0	0	0	0	131,971	131,971
Child Support	0	0	0	0	104,281	104,281
GIS	0	0	0	0	185,327	185,327
EMS	0	0	0	0	201,754	201,754
Indigent Drivers	0	0	0	0	118,637	118,637
Common Pleas Court	0	0	0	0	126,403	126,403
Other Purposes	0	0	0	0	1,800,586	1,800,586
Capital Improvements	0	0	0	0	372,484	372,484
Debt Services Payments	0	0	0	0	187,518	187,518
Total Restricted	<u>0</u>	<u>4,110,308</u>	<u>121,873</u>	<u>1,586,301</u>	<u>4,613,677</u>	<u>10,432,159</u>
Assigned to						
Other Purposes	<u>130,915</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>130,915</u>
Unassigned (Deficit)	<u>1,503,430</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,503,430</u>
Total Fund Balances	<u>\$1,766,312</u>	<u>\$4,110,308</u>	<u>\$121,873</u>	<u>\$1,586,301</u>	<u>\$4,613,677</u>	<u>\$12,198,471</u>

Lawrence County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2011

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	3L70	10.553	\$10,731	\$0
National School Lunch Program	3L60	10.555	18,517	3,530
Total Nutrition Cluster			29,248	3,530
<i>Passed Through Ohio Department of Job and Family Services:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1213-11-0064	10.561	549,146	0
Total United States Department of Agriculture			578,394	3,530
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-F-10-1BN-1	14.228	52,330	0
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-3-06-1BN-1	14.228	199,900	0
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-F-09-1BN-1	14.228	107,923	0
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-F-08-1BN-1	14.228	66,571	0
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-F-07-1BN-1	14.228	82,450	0
Total United States Department of Housing and Urban Development			509,174	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	2012VAGENE051	16.575	16,796	0
Crime Victim Assistance	2011VAGENE051	16.575	54,893	0
Total Crime Victim Assistance			71,689	
Edward Byrne Memorial Justice Assistance Grant Program:				
Drug/Major Crimes Task Force	2010-JG-A01-6284	16.738	43,869	0
Drug/Major Crimes Task Force	2010-dl-lef-5813	16.738	52,045	0
Total Edward Byrne Memorial Justice Assistance Grant Program			95,914	0
Total United States Department of Justice			167,603	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	219,318	0
WIA Youth Activities - ARRA	N/A	17.259	3,045	0
WIA Adult Program	N/A	17.258	103,374	0
WIA Dislocated Workers	N/A	17.278	181,878	0
WIA Dislocated Workers - ARRA	N/A	17.278	22,052	0
WIA Dislocated Workers	N/A	17.260	1,000	0
WIA National Emergency Grants	N/A	17.277	329,084	0
Total Workforce Investment Act (WIA) Cluster:			859,751	0
WIA Employment Service/Wagner-Peyser Fund Activities-ARRA	N/A	17.207	1,957	0
Total United States Department of Labor			861,708	0
United States Department of Transportation				
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction	N/A	20.205	5,605	0
Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	20.703	6,927	0
Total United States Department of Transportation			12,532	0
United States Department of Education				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education_Grants to States	3M20	84.027	58,955	0
Special Education_Preschool Grants	3C50	84.173	59,802	0
Total Special Education Cluster			118,757	0
Total United States Department of Education			118,757	0

(continued)

Lawrence County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2011

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	\$36,428	\$0
Medical Assistance Program				
Targeted Case Management - eFMAP - ARRA	N/A	93.778	28,351	0
Targeted Case Management - MAC Payments	N/A	93.778	137,765	0
Total Medical Assistance Program			166,116	0
<i>Passed Through Ohio Department of Job and Family Services:</i>				
Temporary Assistance for Needy Families	G-1213-11-0064	93.558	2,130,944	0
Promoting Safe and Stable Families	G-1213-11-0064	93.556	1,328	0
Child Support Enforcement	G-1213-11-0064	93.563	606,490	0
Foster Care Title IV-E Cluster:				
Foster Care Title IV-E-ARRA	G-1213-11-0064	93.658	2,591	0
Foster Care Title IV-E	G-1213-11-0064	93.658	205,242	0
Total Foster Care Title IV-E Cluster			207,833	0
Adoption Assistance	G-1213-11-0064	93.659	926	0
Child Welfare Services	G-1213-11-0064	93.645	4,482	0
Social Services Block Grant	G-1213-11-0064	93.667	997,692	0
Medical Assistance Program	G-1213-11-0064	93.778	632,477	0
Child Care Development Fund Cluster:				
Child Care and Development Block Grant	G-1213-11-0064	93.575	78,890	0
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	G-1213-11-0064	93.596	47,604	0
Total Child Care Development Fund Cluster			126,494	0
Total United States Department of Health and Human Services			4,911,210	0
United States Department of Homeland Security				
<i>Passed Through Ohio Emergency Management Agency:</i>				
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	N/A	97.036	359,814	0
Emergency Management Performance Grants	2010-EM-E10-0002	97.042	30,447	0
Homeland Security Programs:				
FY09 Homeland Security Program	N/A	97.067	56	0
FY08 Homeland Security Program	N/A	97.067	77,293	0
Total State Homeland Security Program			77,349	0
Total United States Department of Homeland Security			467,610	0
Total Federal Awards Expenditures			\$7,626,988	\$3,530

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

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

Lawrence County
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2011

Note 1 – Significant Accounting Policies

The accompanying schedule of federal awards expenditures (the schedule) includes the federal grant activity of the County and has been prepared on the cash basis of accounting.

Note 2 – Subrecipients

The County passes through certain Federal assistance received from the United States Department of Housing and Urban Development and the United States Department of Labor to other governments or not-for-profit agencies (subrecipients). As described in Note 1, the County records expenditures of Federal awards to subrecipients when paid in cash.

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

Note 3 – Community Development Block Grant Program

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

These loans are collateralized by mortgages on the property. At December 31, 2011, the gross amount of loans outstanding under this program was \$234,971. Delinquencies total \$184,971, which are included in the balance due to lien on the property.

Note 4 – Matching Requirements

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

Note 5 – 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 that federal monies are expended first.

Note 6 – Medical Assistance Program

During the calendar year, the County received a deferred payment from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid program (CFDA # 93.778) in the amount of \$16,416. The deferred payment was for Medicaid Administrative Claiming (MAC) and Waiver Administrative Claiming (WAC) expenses the County incurred in prior reporting periods due to an increase of federal funding received by DODD to reimburse these expenses and also due to changes in the County's Medicaid Eligibility Rate (MER) for certain activity codes within MAC/WAC. This receipt is not listed on the County's schedule of federal awards expenditures since the underlying expenses occurred in prior reporting periods.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lawrence County, Ohio, (the County) as of and for the year ended December 31, 2011, and have issued our report thereon dated September 28, 2012, wherein we noted the County followed the cash basis of accounting rather than accounting principles generally accepted in the United States of America. We also noted the County implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our report includes a reference to 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. Other auditors audited the financial statements of the Lawrence County Port Authority, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Tri-State Industries, Inc. and Choices Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management the County is responsible for establishing and maintaining effective 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Internal Control Over Financial Reporting (Continued)

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 to be material weaknesses, as defined previously. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. This item has been identified as finding 2011-2. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-3.

We noted certain matters that we reported to management of the County in a separate letter dated September 28, 2012.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the County, 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.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

September 28, 2012

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited Lawrence County's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2011. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Lawrence County Port Authority, which received \$1,643,761 in federal awards which is not included in the schedule during the year ended December 31, 2011. Our audit, described below, did not include the operations of the Lawrence County Port Authority because the Lawrence County Port Authority engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the County 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Lawrence County

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Page 2

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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance 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.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the County, 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.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

September 28, 2012

Lawrence County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2011

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>	
Type of financial statement opinion:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No
Identification of major program(s):	Workforce Investment Act Cluster (CFDA #17.258, #17.259, 17.260 and #17.277) Disaster Grants-Public Assistance (Presidentially Declared Disasters) (CFDA #97.036) Medical Assistance Program (CFDA #93.778)
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

Finding 2011-1

Noncompliance – Financial Reporting

Ohio Revised 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 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the County prepared its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures. Pursuant to Ohio Revised Code Section 117.38, the County is subject to fines and various other administrative remedies. The County should consider filing on a GAAP basis in order to comply with state regulations.

Lawrence County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2011

Finding 2011-1 (Continued)

Noncompliance – Financial Reporting (Continued)

Client Response:

The County still does not feel it is cost-beneficial to prepare a GAAP-basis financial report and would rather use its limited resources for other more important issues such as law enforcement and public safety.

Finding 2011-2

Significant Deficiency – Internal Control Over Financial Reporting and Federal Schedule Reporting

A monitoring system by the County should be in place to prevent or detect misstatements for the accurate and complete presentation of the County's financial report. Misclassifications were identified in receipt and net asset line items within the financial report. Reclassifications were required to fairly present these statements. The financial statements also required adjustment due to noncompliant disbursements from the court computerization fund, which were reallocated to the general fund, and erroneously computed segregated cash balances. In addition, misstatements were also identified in the schedule of federal awards expenditures that also required correction. These misclassifications and certain misstatements were a result of compilation errors. The County appears to lack a sufficient monitoring process over financial reporting to ensure that line items are properly classified in the financial statements. The County should implement the appropriate monitoring procedures to ensure that financial statements and the schedule of federal awards expenditures are fairly stated.

Client Response:

We will better monitor the compilation of the financial statements and schedule of federal awards expenditures.

Finding 2011-3

Noncompliance – Debt Payments

The County has debt agreements in place for its various debt issuances. Included within each of those debt agreements is a payment schedule that the County must adhere to in order to ensure default does not occur. The County did not pay the following debt issuances timely in accordance with the established debt agreements: OPWC CO712 and OWDA 1364, 1365, and 2767. Noncompliance with debt agreements could result in default and escalation of balances due. The County should review its revenues streams that support these debt issuances and devise a plan for increasing available funds, or implement other procedures to ensure payments are made timely to ensure default does not occur. We noted that the only noncompliant payments tested were paid in January 2011.

Client Response:

The County is aware of the late payments made to OWDA and the OPWC. The County was promised Federal funds from Senator Voinovich in the amount of \$5,000,000. After receiving confirmation from Senator Voinovich the funds were not allocated to the Union Rome Sewer.

We were also told by the Ohio EPA that we must build a new sewer plant to be in compliance. The sewer plant was built and short the \$5 million that was promised. This created a cash flow problem and we could not meet our obligation, but later did. We also worked on an agreement with the OWDA that the County would raise the rates so we could meet those obligations in the future. A restructured debt payment was set into place.

Lawrence County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2011

Finding 2011-3 (Continued)

Noncompliance – Debt Payments (Continued)

In the past the sewer plant could not shut off services for late payment. At the end of August the late payments were submitted to the Treasurer's office to be placed on the taxes as assessment. The sewer plant can now turn off services for any payment late of sixty days. We are hopeful this will correct the problem of the debt services of the Union Rome Sewer.

Section III – Federal Award Findings and Questioned Costs
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None

Lawrence County
Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)
For the Year Ended December 31, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2010-1	Noncompliance with ORC Section 117.38/OAC Section 117-2-03(B) – Failure to Report on Required Accounting Basis	No	Reissued as Finding 2011-1
Finding 2010-2	Significant Deficiency – Internal Control Over Financial Reporting	No	Reissued as Finding 2011-2
Finding 2010-3	Noncompliance with debt agreements	No	Reissued as Finding 2011-3



Dave Yost • 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 20, 2012