

Lawrence County
Single Audit
For the Year Ended December 31, 2012



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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 Auditors' Report* of Lawrence County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2012 through December 31, 2012. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery Repaid Under Audit

Over a period of sixteen months (April 2011 through July 2012), Donald Myers, Lawrence County Director of Job and Family Services, prepared, authorized, and approved time sheets for Brad Carpenter, Fiscal Officer for Lawrence County Job and Family Services. These time sheets were allegedly for fiscal services performed by Mr. Carpenter outside normal working hours. Mr. Carpenter stated he was unaware these time sheets were prepared, authorized and approved by Mr. Myers. There was no documentation by Mr. Carpenter related to time worked outside his normal work hours. Additionally, Mr. Carpenter indicated that the Director insinuated to him that he was receiving a pay raise thus he thought that was why his paycheck amount had increased.

Mr. Meyers stated he did this since he felt that Mr. Carpenter should be fairly compensated for work completed at home. This process ended in July 2012 when the Director went on vacation and Fiscal Officer was made aware of the overtime requests being submitted by the Director.

Mr. Carpenter was paid an additional \$11,659 during the period of April 2011 through July 2012 based upon these time sheets. No additional documentation was presented to support these payments which were above Mr. Carpenter's approved salary.

In accordance with the foregoing facts, and pursuant to the Ohio Rev. Code Section §117.28, a Finding for Recovery for public money illegally expended is hereby issued against Brad Carpenter, in the amount of \$11,659, and in favor of the Lawrence County Department of Job Family Services Fund for \$11,659.

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Once notified of the finding for recovery, Donald Myers made payment on July 28, 2015 in the amount of \$11,659 to the Lawrence County Department of Job and Family Services Fund.

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". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping underline.

Dave Yost
Auditor of State

September 2, 2015

Lawrence County
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lawrence County, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash basis of accounting Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 discretely presented component units and which represent 100% of the discretely presented component units. Those 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 the Tri-State Industries, Inc., Choices Inc., and the Lawrence County Port Authority is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement. The other auditors audited the financial statements of Tri-State Industries, Inc. and Choices Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Lawrence County
Independent Auditor's Report

We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective cash 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, 2012, and the respective changes in cash financial position and the respective budgetary comparison for the General, Board of Developmental Disabilities, Job and Family Services, and Motor Vehicle Gasoline Tax funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the accounting basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the County's financial statements that collectively comprise its basic financial statements. Management's Discussion and Analysis includes tables of net position, changes in net position, governmental activities, and outstanding debt. The Schedule of Federal Awards Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional analysis and are not a required part of the basic financial statements.

These tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this 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, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in the Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Lawrence County
Independent Auditor's Report

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013 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.



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

September 30, 2013

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
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, 2012, 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 2012 are as follows:

Overall (Primary Government):

Total net position increased \$2,745,362 with governmental activities increasing by \$2,058,254 and business-type activities increasing by \$687,108.

Total cash receipts were \$53,516,063 in 2012.

Total program cash disbursements were \$50,770,701 in 2012.

Governmental Activities:

Total program cash receipts were \$30,920,319 in 2012, while program cash disbursements were \$48,079,670.

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 \$8,179,353, \$6,411,795, \$10,077,623, \$5,056,909, \$4,714,673, \$3,658,364, and \$8,027,087, respectively in 2012.

Business-Type Activities:

Total program cash receipts were \$3,183,272 for business-type activities, while corresponding cash disbursements were \$2,691,031.

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 position-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, 2012
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Statement of Net Position 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 2012?" The statement of net position 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 position* 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 position* and changes in net position. This change in net position 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 position 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 9. 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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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 position and fund cash balances or changes in net position 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 business-type activities; therefore, these statements will essentially match the information provided in the 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 position provides the perspective of the County as a whole. Table 1 provides a summary of the County's net position for 2012 compared to the prior year:

Table 1
Net position

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Assets						
Equity in Pooled Cash and Cash Equivalents	\$14,256,725	\$12,198,471	\$1,524,390	\$837,282	\$15,781,115	\$13,035,753
<i>Total Assets</i>	14,256,725	12,198,471	1,524,390	837,282	15,781,115	13,035,753
Net Position						
Restricted	12,523,386	10,432,159	-	-	12,523,386	10,432,159
Unrestricted	1,733,339	1,766,312	1,524,390	837,282	3,257,729	2,603,594
<i>Total Net Position</i>	\$14,256,725	\$12,198,471	\$1,524,390	\$837,282	\$15,781,115	\$13,035,753

Total assets and net position increased by \$2,745,362 from 2011 to 2012, which will be further discussed on the next page.

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Table 2 shows the changes in net position for 2012 and 2011.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Cash Receipts						
<i>Program Cash Receipts</i>						
Charges for Sales and Services	\$8,124,141	\$7,586,309	\$3,076,100	\$2,483,555	\$11,200,241	\$10,069,864
Operating Grants and Contributions	18,084,279	19,246,403	-	-	18,084,279	19,246,403
Capital Grants and Contributions	4,711,899	88,294	107,172	1,186,642	4,819,071	1,274,936
Total Program Cash Receipts	30,920,319	26,921,006	3,183,272	3,670,197	34,103,591	30,591,203
<i>General Cash Receipts</i>						
Property Taxes	4,122,408	4,116,120	-	-	4,122,408	4,116,120
Sales Taxes	7,951,532	7,376,357	-	-	7,951,532	7,376,357
Payments in Lieu of Taxes	147,126	65,671	-	-	147,126	65,671
Grants and Entitlements Not Restricted	1,756,795	1,841,524	-	-	1,756,795	1,841,524
Interest	229,766	489,023	-	-	229,766	489,023
Miscellaneous	1,111,379	1,491,942	10,536	8,947	1,121,915	1,500,889
Proceeds from Sale of Bonds and Notes	3,865,324	988,045	-	-	3,865,324	988,045
Proceeds from Lease Financing Agreement	-	83,250	-	-	-	83,250
Proceeds from Loans	-	-	189,329	2,447,922	189,329	2,447,922
Proceeds from Sale of Assets	28,277	2,093,132	-	-	28,277	2,092,132
Total General Cash Receipts	19,212,607	18,545,064	199,865	2,456,869	19,412,472	21,001,933
Total Cash Receipts	50,132,926	45,466,070	3,383,137	6,127,066	53,516,063	51,593,136
Cash Disbursements						
General Government:						
Legislative and Executive	4,714,673	3,839,854	-	-	4,714,673	3,839,854
Judicial	3,658,364	3,621,963	-	-	3,658,364	3,621,963
Public Safety	6,411,795	6,312,658	-	-	6,411,795	6,312,658
Public Works	5,056,909	4,155,332	-	-	5,056,909	4,155,332
Health	10,077,623	9,290,805	-	-	10,077,623	9,290,805
Human Services	8,179,353	10,192,674	-	-	8,179,353	10,192,674
Community and Economic Development	599,633	544,770	-	-	599,633	544,770
Transportation	75,000	212,642	-	-	75,000	212,642
Other	179,350	91,673	-	-	179,350	91,673
Capital Outlay	8,027,087	1,224,313	-	-	8,027,087	1,224,313
Debt Service:						
Principal Retirements	960,029	3,229,113	-	-	960,029	3,229,113
Interest and Fiscal Charges	139,854	146,844	-	-	139,854	146,844
Wastewater Treatment	-	-	2,691,031	5,995,865	2,691,031	5,995,865
Total Cash Disbursements	48,079,670	42,862,641	2,691,031	5,995,865	50,770,701	48,858,506
<i>Increase in Net Position Before Transfers</i>	2,053,256	2,603,429	692,106	131,201	2,745,362	2,734,630
Transfers	4,998	28,325	(4,998)	(28,325)	-	-
<i>Increase in Net Position After Transfers</i>	2,058,254	2,631,754	687,108	102,876	2,745,362	2,734,630
<i>Net Position, Beginning</i>	12,198,471	9,566,717	837,282	734,406	13,035,753	10,301,123
Net Position, Ending	\$14,256,725	\$12,198,471	\$1,524,390	\$837,282	\$15,781,115	\$13,035,753

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Management's Discussion and Analysis
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Governmental Activities The decrease in Operating Grants and Contributions is primarily due to the elimination of funding for the WIA program in addition to decreased funding for the Children Services program. Interest receipts decreased \$259,257 due to reinvested certificates of deposits being reinvested at a lower rate than in prior years. Proceeds from the sale of notes increased \$2,877,279 due to the issuance of more new bonds and notes in 2012 than 2011. Capital grants and contributions increased primarily due to increased funding for FEMA emergency projects as well as increased federal funding for road and bridge projects.

Property taxes and sales taxes made up 8 percent and 16 percent, respectively, of cash receipts for governmental activities for Lawrence County in 2012. Operating grants and contributions made up 36 percent of cash receipts for governmental activities for the County.

Health disbursements increased \$786,818 primarily as a result of increased expenditures for the Board of Developmental Disabilities programs. Human services disbursements decreased \$2,013,321 primarily due to reduced funding for the Children Services and WIA programs. Capital outlay disbursements increased \$6,802,774 due to increased funding for FEMA emergency projects, increased federal funding for roads and bridge projects, and several other capital projects. Principal retirements decreased due to the payment in full of debts in the prior year. Legislative and executive expenses increased as a result of increased expenditures in the Real Estate Assessment program. Public works increased as a result of increased expenditures within the Motor Vehicle Gas Tax program associated with various road and bridge 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 and public works activities are supported through charges for services and operating grants and contributions; for all governmental activities general cash receipts support is 40 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

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government:				
Legislative and Executive	\$4,714,673	\$3,272,999	\$3,839,854	\$2,849,018
Judicial	3,658,364	2,820,405	3,621,963	2,767,719
Public Safety	6,411,795	3,375,789	6,312,658	3,229,636
Public Works	5,056,909	1,571,412	4,155,332	847,103
Health	10,077,623	1,921,483	9,290,805	1,053,573
Human Services	8,179,353	1,644,882	10,192,674	1,374,669
Community and Economic Development	599,633	107,745	544,770	54,490
Transportation	75,000	13,477	212,642	21,269
Other	179,350	139,163	91,673	78,154
Capital Outlay	8,027,087	1,268,433	1,224,313	524,347
Debt Service:				
Principal Retirements	960,029	960,029	3,229,113	3,229,113
Interest and Fiscal Charges	139,854	63,534	146,844	(87,456)
Total Cash Disbursements	\$48,079,670	\$17,159,351	\$42,862,641	\$15,941,635

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Table 4
 Total Cost of Program Services
 Business-Type Activities

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Wastewater Treatment	\$2,691,031	\$(492,241)	\$5,995,865	\$2,325,668
<i>Total Cash Disbursements</i>	\$2,691,031	\$(492,241)	\$5,995,865	\$2,325,668

Business-Type Activities Business-type activities include wastewater treatment services. Overall net position increased \$687,108 from 2011 to 2012. Program receipts exceeded program disbursements for the wastewater treatment segment in the amount of \$492,241 as a result of decreased capital outlay related to the wastewater treatment plant construction project.

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 \$53,074,803 and cash disbursements and other financing uses of \$51,016,549. 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 \$4,110,308 in 2011 to \$4,658,671 for 2012, and the Motor Vehicle and Gas Tax Fund Fund cash balance went from \$1,586,301 in 2011 to \$3,851,192 for 2012. The primary reason for the change in the Motor Vehicle and Gas Tax Fund was due to revenues from capital grants and the proceeds from the sale of notes which were partially offset by associated project expenditures. The primary reason for this change in the Board of Developmental Disabilities Fund was due to increased intergovernmental monies received which were partially offset by increased expenditures for this program. For the Jobs and Family Services Fund, the fund balance increased \$4,918, while the fund balance of the General Fund decreased \$38,933.

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. Final budgeted receipts were \$14,763,932, over original budgeted receipts of \$13,341,121. The primary reason for the increase in budgeted receipts was due to increased consumer spending which resulted in higher than expected sales tax receipts. Total actual receipts and other financing sources were \$14,249,355, above original budget estimates of \$13,881,086. The increase is due primarily to an increase in sales tax receipts. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$14,575,719, \$326,364 below cash receipts and other financing sources. Original budgeted appropriations and other financing uses were \$13,881,086, while final budgeted amounts were \$15,137,833. The increase is due to increases in legislative and executive and judicial expenses which were partially offset by a decrease in public safety and capital outlay appropriations.

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 \$8,027,087 and \$207,772 for its governmental activities and its business-type activities, respectively, during 2012.

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Unaudited

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, 2012, the County had \$4,990,337 outstanding in bonds and related long-term debt for governmental activities and \$27,279,361 outstanding in bonds and related long-term debt for business-type activities. As of December 31, 2012, the County had \$157,045 in short-term notes outstanding. For additional information regarding debt, please see notes 10 and 11 to the basic financial statements.

Table 5 summarizes bonds and long-term debt outstanding for governmental activities for 2012 and 2011:

Table 5
 Outstanding Debt at December 31
 Governmental Activities

	2012	2011
General Obligation Bonds	\$228,409	\$412,535
Lease Financing Agreement	809,553	895,163
OPWC Promissory Note	34,987	44,984
Long Term Notes	3,917,388	723,360
Totals	\$4,990,337	\$2,076,042

Table 6 summarizes bonds and long-term debt outstanding for business-type activities for 2012 and 2011:

Table 6
 Outstanding Debt at December 31
 Business-Type Activities

	2012	2011
OWDA Loans	\$26,504,374	\$26,975,296
OPWC Promissory Notes	774,987	856,604
Total	\$27,279,361	\$27,831,900

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.

Lawrence County
Statement of Net Position - Cash Basis
As of December 31, 2012

	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	\$ 14,256,725	\$ 1,524,390	\$ 15,781,115	\$ 2,446	\$ 135,694	\$ 158,893
<i>Total Assets</i>	<u>14,256,725</u>	<u>1,524,390</u>	<u>15,781,115</u>	<u>2,446</u>	<u>135,694</u>	<u>158,893</u>
NET POSITION						
Restricted for:						
Developmental Disabilities	4,658,671	-	4,658,671	-	-	-
Job and Family Services	126,791	-	126,791	-	-	-
Motor Vehicle and Gas Tax	3,851,192	-	3,851,192	-	-	-
Real Estate Assessment	417,695	-	417,695	-	-	-
Court Development	310,524	-	310,524	-	-	-
Care and Custody	147,050	-	147,050	-	-	-
Family Resources	143,080	-	143,080	-	-	-
Child Support	291,518	-	291,518	-	-	-
GIS	120,639	-	120,639	-	-	-
EMS	290,572	-	290,572	-	-	-
Indigent Drivers	124,520	-	124,520	-	-	-
Common Pleas Court	161,933	-	161,933	-	-	-
Debt Service	102,756	-	102,756	-	-	-
Capital Projects	322,013	-	322,013	-	-	-
Other Purposes	1,454,432	-	1,454,432	2,446	135,694	158,893
Unrestricted	<u>1,733,339</u>	<u>1,524,390</u>	<u>3,257,729</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Net Position</i>	<u>\$ 14,256,725</u>	<u>\$ 1,524,390</u>	<u>\$ 15,781,115</u>	<u>\$ 2,446</u>	<u>\$ 135,694</u>	<u>\$ 158,893</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, 2012

	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	\$ 4,714,673	\$ 704,395	\$ 732,776	\$ 4,503
Judicial	3,658,364	543,707	294,252	-
Public Safety	6,411,795	1,420,109	1,615,897	-
Public Works	5,056,909	1,209,701	2,186,040	89,756
Health	10,077,623	1,960,905	6,195,235	-
Human Services	8,179,353	1,263,431	5,271,040	-
Community and Economic Development	599,633	92,755	399,133	-
Transportation	75,000	11,601	49,922	-
Other	179,350	38,362	-	1,825
Capital Outlay	8,027,087	802,855	1,339,984	4,615,815
Debt Service:				
Principal Retirements	960,029	-	-	-
Interest and Fiscal Charges	139,854	76,320	-	-
<i>Total Governmental Activities</i>	<u>48,079,670</u>	<u>8,124,141</u>	<u>18,084,279</u>	<u>4,711,899</u>
Business-Type Activities:				
Wastewater Treatment	2,691,031	3,076,100	-	107,172
<i>Total Business-Type Activities</i>	<u>2,691,031</u>	<u>3,076,100</u>	<u>-</u>	<u>107,172</u>
<i>Total Primary Government</i>	<u>\$ 50,770,701</u>	<u>\$ 11,200,241</u>	<u>\$ 18,084,279</u>	<u>\$ 4,819,071</u>
Component Units:				
Tri-State Industries, Inc.	\$ 1,148,104	\$ 400,999	\$ 672,417	\$ -
Choices, Inc.	195,069	142,050	-	45,615
Lawrence County Port Authority	3,692,605	602,659	2,160,515	37,520
<i>Total Component Units</i>	<u>\$ 5,035,778</u>	<u>\$ 1,145,708</u>	<u>\$ 2,832,932</u>	<u>\$ 83,135</u>

General Cash Receipts and Transfers:
Property Taxes Levied for:
 General Purposes
 DD
Sales Taxes
Payments in Lieu of Taxes
Grants and Entitlements, Not Restricted to Specific Programs
Transfers In (Out)
OWDA Loans Issued
General Obligation Bonds Issued
Notes Issued
Proceeds from Sale of Assets
Interest Receipts
Miscellaneous

Total General Cash Receipts and Transfers

Changes in Net Position

Net Position Beginning of Year

Net Position 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 Position**

Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	Tri-State Industries	Choices Inc.	Lawrence County Port Authority
\$ (3,272,999)	\$ -	\$ (3,272,999)	\$ -	\$ -	\$ -
(2,820,405)	-	(2,820,405)	-	-	-
(3,375,789)	-	(3,375,789)	-	-	-
(1,571,412)	-	(1,571,412)	-	-	-
(1,921,483)	-	(1,921,483)	-	-	-
(1,644,882)	-	(1,644,882)	-	-	-
(107,745)	-	(107,745)	-	-	-
(13,477)	-	(13,477)	-	-	-
(139,163)	-	(139,163)	-	-	-
(1,268,433)	-	(1,268,433)	-	-	-
(960,029)	-	(960,029)	-	-	-
(63,534)	-	(63,534)	-	-	-
<u>(17,159,351)</u>	<u>-</u>	<u>(17,159,351)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>492,241</u>	<u>492,241</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>492,241</u>	<u>492,241</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(17,159,351)</u>	<u>492,241</u>	<u>(16,667,110)</u>	<u>-</u>	<u>-</u>	<u>-</u>
			(74,688)	-	-
			-	(7,404)	-
			<u>-</u>	<u>-</u>	<u>(891,911)</u>
			(74,688)	(7,404)	(891,911)
2,372,509	-	2,372,509	-	-	-
1,749,899	-	1,749,899	-	-	-
7,951,532	-	7,951,532	-	-	-
147,126	-	147,126	-	-	-
1,756,795	-	1,756,795	-	-	-
4,998	(4,998)	-	-	104,592	-
-	189,329	189,329	-	-	-
400,000	-	400,000	-	-	-
3,465,324	-	3,465,324	-	-	700,000
28,277	-	28,277	-	-	-
229,766	-	229,766	333	-	130,748
<u>1,111,379</u>	<u>10,536</u>	<u>1,121,915</u>	<u>28,828</u>	<u>-</u>	<u>1,731</u>
<u>19,217,605</u>	<u>194,867</u>	<u>19,412,472</u>	<u>29,161</u>	<u>104,592</u>	<u>832,479</u>
2,058,254	687,108	2,745,362	(45,527)	97,188	(59,432)
<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>
<u>\$ 14,256,725</u>	<u>\$ 1,524,390</u>	<u>\$ 15,781,115</u>	<u>\$ 2,446</u>	<u>\$ 135,694</u>	<u>\$ 158,893</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, 2012*

	General	Board of Developmental Disabilities	Job and Family Services	Motor Vehicle Gasoline Tax	All Other Governmental Funds	Total Governmental Funds
CASH RECEIPTS						
Property Taxes	\$ 2,372,509	\$ 1,749,899	\$ -	\$ -	\$ -	\$ 4,122,408
Sales Taxes	7,951,532	-	-	-	-	7,951,532
Payments in Lieu of Taxes	144,844	2,282	-	-	-	147,126
Charges for Services	1,769,609	937,952	355,696	-	4,601,222	7,664,479
Licenses and Permits	3,056	-	-	-	824	3,880
Fines and Forfeitures	434,242	-	-	21,540	-	455,782
Intergovernmental	1,468,204	4,135,385	5,530,892	7,434,289	5,984,203	24,552,973
Interest	168,053	50,607	-	9,594	1,512	229,766
Other	391,175	38,560	10,613	122,923	548,108	1,111,379
<i>Total Cash Receipts</i>	<u>14,703,224</u>	<u>6,914,685</u>	<u>5,897,201</u>	<u>7,588,346</u>	<u>11,135,869</u>	<u>46,239,325</u>
CASH DISBURSEMENTS						
Current:						
General Government:						
Legislative and Executive	3,606,794	-	-	-	1,107,879	4,714,673
Judicial	3,216,297	-	-	-	442,067	3,658,364
Public Safety	3,984,168	-	-	-	2,427,627	6,411,795
Public Works	553,111	-	-	4,364,258	139,540	5,056,909
Health	164,561	6,211,897	-	-	3,701,165	10,077,623
Human Services	260,456	-	5,892,283	-	2,026,614	8,179,353
Community and Economic Development	-	-	-	-	599,633	599,633
Transportation	-	-	-	-	75,000	75,000
Other	156,529	-	-	-	22,821	179,350
Capital Outlay	52,823	154,425	-	3,930,684	3,889,155	8,027,087
Debt Service:						
Principal Retirements	54,082	-	-	-	905,947	960,029
Interest and Fiscal Charges	6,633	-	-	28,513	104,708	139,854
<i>Total Cash Disbursements</i>	<u>12,055,454</u>	<u>6,366,322</u>	<u>5,892,283</u>	<u>8,323,455</u>	<u>15,442,156</u>	<u>48,079,670</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>2,647,770</u>	<u>548,363</u>	<u>4,918</u>	<u>(735,109)</u>	<u>(4,306,287)</u>	<u>(1,840,345)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	79,690	-	-	-	2,859,135	2,938,825
Advances In	-	-	-	-	3,052	3,052
General Obligation Bonds Issued	-	-	-	-	400,000	400,000
Notes Issued	-	-	-	3,000,000	465,324	3,465,324
Proceeds from Sale of Assets	166	-	-	-	28,111	28,277
Transfers Out	(2,766,559)	-	-	-	(167,268)	(2,933,827)
Advances Out	-	-	-	-	(3,052)	(3,052)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,686,703)</u>	<u>-</u>	<u>-</u>	<u>3,000,000</u>	<u>3,585,302</u>	<u>3,898,599</u>
<i>Net Change in Fund Cash Balances</i>	<u>(38,933)</u>	<u>548,363</u>	<u>4,918</u>	<u>2,264,891</u>	<u>(720,985)</u>	<u>2,058,254</u>
<i>Cash Basis Fund Balances at Beginning of Year- As Restated</i>	<u>1,772,272</u>	<u>4,110,308</u>	<u>121,873</u>	<u>1,586,301</u>	<u>4,607,717</u>	<u>12,198,471</u>
<i>Cash Basis Fund Balances at End of Year</i>	<u>\$ 1,733,339</u>	<u>\$ 4,658,671</u>	<u>\$ 126,791</u>	<u>\$ 3,851,192</u>	<u>\$ 3,886,732</u>	<u>\$ 14,256,725</u>
CASH BASIS ASSETS AT END OF YEAR						
Equity in Pooled Cash and Cash Equivalents	\$ 1,733,339	\$ 4,658,671	\$ 126,791	\$ 3,851,192	\$ 3,886,732	\$ 14,256,725
<i>Total Assets</i>	<u>\$ 1,733,339</u>	<u>\$ 4,658,671</u>	<u>\$ 126,791</u>	<u>\$ 3,851,192</u>	<u>\$ 3,886,732</u>	<u>\$ 14,256,725</u>
CASH FUND BALANCES AT YEAR END						
Nonspendable	\$ 136,972	\$ -	\$ -	\$ -	\$ -	\$ 136,972
Restricted	-	4,658,671	126,791	3,851,192	3,886,732	12,523,386
Assigned	545,906	-	-	-	-	545,906
Unassigned	1,050,461	-	-	-	-	1,050,461
<i>Total Cash Basis Fund Balances</i>	<u>\$ 1,733,339</u>	<u>\$ 4,658,671</u>	<u>\$ 126,791</u>	<u>\$ 3,851,192</u>	<u>\$ 3,886,732</u>	<u>\$ 14,256,725</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
RECEIPTS				
Property Taxes	\$ 2,482,000	\$ 2,372,509	\$ 2,372,509	\$ -
Sales Taxes	7,288,489	7,951,532	7,951,532	-
Payments in Lieu of Taxes	132,766	144,844	144,844	-
Charges for Services	1,180,514	1,296,467	1,287,907	(8,560)
Licenses and Permits	2,801	3,056	3,056	-
Fines and Forfeitures	398,032	411,916	434,242	22,326
Intergovernmental	1,345,777	1,755,155	1,468,204	(286,951)
Interest	152,185	166,030	166,030	-
Other	358,557	662,423	391,175	(271,248)
<i>Total Receipts</i>	<u>13,341,121</u>	<u>14,763,932</u>	<u>14,219,499</u>	<u>(544,433)</u>
DISBURSEMENTS				
Current:				
General Government:				
Legislative and Executive	2,967,385	3,843,885	3,843,885	-
Judicial	1,636,526	2,911,049	2,905,925	5,124
Public Safety	4,513,944	4,104,648	4,103,891	757
Public Works	537,980	554,052	554,052	-
Health	132,715	164,752	164,561	191
Human Services	961,000	260,456	260,456	-
Capital Outlay	1,431,536	60,602	59,055	1,547
<i>Total Disbursements</i>	<u>12,181,086</u>	<u>11,899,444</u>	<u>11,891,825</u>	<u>7,619</u>
Excess of Receipts Over Disbursements	<u>1,160,035</u>	<u>2,864,488</u>	<u>2,327,674</u>	<u>(536,814)</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	29,690	29,690
Proceeds from Sale of Assets	-	-	166	166
Transfers Out	(1,700,000)	(3,238,389)	(2,683,894)	554,495
<i>Total Other Financing Sources (Uses)</i>	<u>(1,700,000)</u>	<u>(3,238,389)</u>	<u>(2,654,038)</u>	<u>584,351</u>
<i>Net Change in Fund Balance</i>	<u>(539,965)</u>	<u>(373,901)</u>	<u>(326,364)</u>	<u>47,537</u>
<i>Fund Balance at Beginning of Year</i>	1,273,430	1,273,430	1,273,430	-
<i>Prior Year Encumbrances Appropriated</i>	<u>103,396</u>	<u>103,396</u>	<u>103,396</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 836,861</u>	<u>\$ 1,002,925</u>	<u>\$ 1,050,462</u>	<u>\$ 47,537</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
RECEIPTS				
Property Taxes	\$ 1,798,847	\$ 1,749,899	\$ 1,749,899	\$ -
Payments in Lieu of Taxes	1,414	2,282	2,282	-
Charges for Services	734,632	937,952	937,952	-
Intergovernmental	2,409,840	4,135,385	4,135,385	-
Interest	31,367	50,607	50,607	-
Other	23,900	38,560	38,560	-
<i>Total Receipts</i>	<u>5,000,000</u>	<u>6,914,685</u>	<u>6,914,685</u>	<u>-</u>
DISBURSEMENTS				
Current:				
Health	6,193,550	6,301,846	6,225,957	75,889
Capital Outlay	135,000	182,000	173,925	8,075
<i>Total Disbursements</i>	<u>6,328,550</u>	<u>6,483,846</u>	<u>6,399,882</u>	<u>83,964</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,328,550)</u>	<u>430,839</u>	<u>514,803</u>	<u>83,964</u>
<i>Net Change in Fund Balance</i>	(1,328,550)	430,839	514,803	83,964
<i>Fund Balance at Beginning of Year</i>	4,020,846	4,020,846	4,020,846	-
<i>Prior Year Encumbrances Appropriated</i>	89,462	89,462	89,462	-
<i>Fund Balance at End of Year</i>	<u>\$ 2,781,758</u>	<u>\$ 4,541,147</u>	<u>\$ 4,625,111</u>	<u>\$ 83,964</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
RECEIPTS				
Intergovernmental	\$ 6,933,309	\$ 5,530,892	\$ 5,530,892	\$ -
Charges for Services	445,887	355,696	355,696	-
Other	13,304	10,613	10,613	-
<i>Total Receipts</i>	<u>7,392,500</u>	<u>5,897,201</u>	<u>5,897,201</u>	<u>-</u>
DISBURSEMENTS				
Current:				
Human Services	7,392,500	5,906,105	5,906,105	-
<i>Total Disbursements</i>	<u>7,392,500</u>	<u>5,906,105</u>	<u>5,906,105</u>	<u>-</u>
Excess of Receipts Under Disbursements	-	(8,904)	(8,904)	-
<i>Net Change in Fund Balance</i>	-	(8,904)	(8,904)	-
<i>Fund Balance at Beginning of Year</i>	67,628	67,628	67,628	-
<i>Prior Year Encumbrances Appropriated</i>	54,245	54,245	54,245	-
<i>Fund Balance at End of Year</i>	<u>\$ 121,873</u>	<u>\$ 112,969</u>	<u>\$ 112,969</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
RECEIPTS				
Fines and Forfeitures	\$ 19,537	\$ 21,540	\$ 21,540	\$ -
Intergovernmental	4,091,763	7,434,289	7,434,289	-
Interest	23,250	9,594	9,594	-
Other	90,450	122,923	122,923	-
<i>Total Receipts</i>	<u>4,225,000</u>	<u>7,588,346</u>	<u>7,588,346</u>	<u>-</u>
DISBURSEMENTS				
Current:				
Public Works	4,771,248	6,107,528	5,453,047	654,481
Capital Outlay	-	4,837,839	3,919,634	918,205
Debt Service:				
Interest and Fiscal Charges	-	28,513	28,513	-
<i>Total Disbursements</i>	<u>4,771,248</u>	<u>10,973,880</u>	<u>9,401,194</u>	<u>1,572,686</u>
Excess of Receipts Under Disbursements	<u>(546,248)</u>	<u>(3,385,534)</u>	<u>(1,812,848)</u>	<u>1,572,686</u>
OTHER FINANCING SOURCES				
Notes Issued	-	2,988,950	2,988,950	-
Total Other Financing Sources	-	2,988,950	2,988,950	-
<i>Net Change in Fund Balance</i>	(546,248)	(396,584)	1,176,102	1,572,686
<i>Fund Balance at Beginning of Year</i>	1,167,053	1,167,053	1,167,053	-
<i>Prior Year Encumbrances Appropriated</i>	419,248	419,248	419,248	-
<i>Fund Balance at End of Year</i>	<u>\$ 1,040,053</u>	<u>\$ 1,189,717</u>	<u>\$ 2,762,403</u>	<u>\$ 1,572,686</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 Position and Cash Receipts,
Cash Disbursements and Changes in Net Position
Proprietary Funds - Cash Basis
As of and For the Year Ended December 31, 2012*

	Union-Rome Sewer Fund
OPERATING CASH RECEIPTS	
Charges for Services	\$ 3,076,100
Other	<u>10,536</u>
<i>Total Operating Cash Receipts</i>	<u>3,086,636</u>
OPERATING CASH DISBURSEMENTS	
Salaries and Benefits	779,868
Contractual Services	546,350
Materials and Supplies	91,163
Capital Outlay	207,772
Other	<u>17,580</u>
<i>Total Operating Cash Disbursements</i>	<u>1,642,733</u>
Excess of Operating Cash Receipts Over Operating Cash Disbursements	1,443,903
NON-OPERATING CASH RECEIPTS (CASH DISBURSEMENTS)	
OWDA Loans Issued	189,329
Interest and Fiscal Charges	(306,430)
Principal Retirement	<u>(741,868)</u>
<i>Total Non-Operating Cash Receipts (Cash Disbursements)</i>	<u>(858,969)</u>
<i>Cash Receipts Over Cash Disbursements Before Transfers</i>	584,934
Transfers Out	<u>(4,998)</u>
Cash Receipts Over Cash Disbursements Before Capital Contributions	579,936
Capital Grants and Contributions	<u>107,172</u>
<i>Change in Net Position</i>	687,108
<i>Net Position at Beginning of Year</i>	<u>837,282</u>
<i>Net Position at End of Year</i>	<u><u>\$ 1,524,390</u></u>
CASH BASIS ASSETS AT END OF YEAR	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$ 1,524,390</u></u>
NET POSITION AT END OF YEAR	
Unrestricted	<u><u>\$ 1,524,390</u></u>

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

Lawrence County
Statement of Fiduciary Net Position - Cash Basis
As of December 31, 2012

	<u>Agency Funds</u>
ASSETS	
Equity Pooled in Cash and Cash Equivalents	\$ 3,311,219
Cash and Cash Equivalents in Segregated Accounts	<u>707,874</u>
<i>Total Assets</i>	<u>4,019,093</u>
NET POSITION	
Unrestricted	<u>4,019,093</u>
Total Net Position	<u>\$ 4,019,093</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 enterprise 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 position and changes in net position. 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 position) 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 position 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 position 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 position-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 remove or change the specified use by taking the same type of action (resolution) 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, 2012. 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 2012, interest receipts amounted to \$229,766 in which \$168,053 was recorded in the General Fund; \$50,607 was recorded in the Board of Developmental Disabilities Special Revenue Fund; \$9,594 was recorded in the Motor Vehicle Gasoline Tax Special Revenue Fund; and \$1,512 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 Position

Net position represents the cash basis assets held by the County at year end. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for grants. The County applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net position is available.

Of the County's \$12,523,386 in restricted net position, 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, 2012

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 \$20,675,158 was either covered by FDIC or collateralized by the financial institutions' public entity deposit pools.

B. Component Units

At year-end, the carrying amount of Tri-State Industries' deposits was \$2,446. The entire amount was covered by federal deposit insurance.

At year-end, the carrying amount of Choices, Inc.'s deposits was \$135,694. The entire amount was covered by federal deposit insurance.

At year-end, the carrying amount of the Lawrence County Port Authority's deposits was \$158,893. The entire amount was covered by federal depository insurance.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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	\$1,050,462	\$4,625,111	\$112,969	\$2,762,403
Encumbrances	154,435	33,560	13,822	1,088,789
Excluded Funds for Budget Purposes	528,442	-	-	-
Fund Cash Balances	<u>\$1,733,339</u>	<u>\$4,658,671</u>	<u>\$126,791</u>	<u>\$3,851,192</u>

NOTE 5 - PROPERTY TAX

Property taxes include amounts levied against all real, and public utility property located in the County. Property tax revenue received during 2012 for real and public utility property taxes represents collection of 2011 taxes.

2012 real property taxes are levied after October 1, 2011 on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are intended to finance 2013.

Public utility property currently is assessed at varying percentages of true value; public utility property is assessed at 35 percent of true value. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The assessed value for the taxes levied in 2012 was \$879,541,210 of which real property represented 90 percent (\$795,571,240) of the total and public utility property represented 10 percent (\$83,969,970) of the total. The full tax rate for all County operations for taxes collected in 2012 was \$5.67 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.

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

NOTE 6 - RISK MANAGEMENT

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

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

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 6 - RISK MANAGEMENT (Continued)

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	\$45,294,118	\$1,000
Inland Marine	\$3,878,462	\$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 2012, 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 2012 amounted to \$7,951,532 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>, by 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 2012, 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 2012, 2011, and 2010 member contribution rates were 10.0%, 10.0%, and 10.0%, respectively, for members in state, and local classifications and 11.5% and 12.10%, 11.0% and 11.6%, and 10.5% and 11.1%, respectively for members in public safety and law enforcement. Effective January 1, 2013, the member contribution rates for public safety and law enforcement members increased to 12.00% and 12.60%, respectively.

The employer contribution rates were 14.00%, 14.00%, and 14.00%, respectively, for state and local employers and 18.10%, 18.10%, and 17.87%, respectively for law enforcement and public safety employers for the years ended December 31, 2012, 2011, and 2010 for the County.

The County's contributions to OPERS for the years ended December 31, 2012, 2011, and 2010, were \$2,629,496, \$2,516,181, and \$2,596,949, respectively. 100% has been contributed for 2012, 2011 and 2010.

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, 2012, 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, 2012, 2011, and 2010, 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, 2012, 2011, and 2010 were \$108,326, \$113,537, and \$105,093, respectively; 100 percent has been contributed for 2012, 2011, and 2010.

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

NOTE 9 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

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

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by 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 coverage. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, 2011, and 2010, 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%, 18.10%, and 17.87%, 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 administrated 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 2012 and 2011, the employer contributions allocated to the health care for members in the Traditional Plan was 4.0%. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar years 2012 and 2011. 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. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees 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 \$1,051,798, \$1,006,472, and \$942,940 for 2012, 2011, and 2010, respectively; 100 percent has been contributed for 2012, 2011, and 2010.
- D. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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, 2012, 2011 and 2010. For the County, these amounts equaled \$7,738, \$8,110, and \$7,507, respectively, for fiscal years 2012, 2011, and 2010, respectively; 100 percent has been contributed for 2012, 2011, and 2010.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 2012 is as follows:

<u>Governmental Long-Term Obligations:</u>	Outstanding 12/31/2011	Additions	Deletions	Outstanding 12/31/2012	Due In One Year
Series 2003 1.9-4.85%					
Office Building Refunding Bonds	\$ 310,000	\$ -	\$ 150,000	\$ 160,000	\$ 160,000
Series 2005B 3.71% Equipment Bond	89,484	-	21,075	68,409	21,916
Real Estate Acquisition 2002 4.02%					
General Obligation Bonds	13,051	-	13,051	-	-
2.99% County Building Bond	-	400,000	400,000	-	-
Subtotal General Obligation Bonds	412,535	400,000	584,126	228,409	181,916
Lease Financing Agreement 2010 5.877%	790,744	-	31,528	759,216	33,381
Lease Financing Agreement 2009 6.35%	26,889	-	26,889	-	-
Lease Financing Agreement 2009 7.25%	16,976	-	8,191	8,785	8,785
Lease Financing Agreement 2011 6.10%	60,554	-	19,002	41,552	20,161
OPWC Promissory Note					
1995 0.00%	44,984	-	9,997	34,987	9,997
Long Term Notes*:					
Various Purpose Bond Anticipation Note 2010 3.03%	436,480	-	45,140	391,340	47,555
Computer Equipment Note 2009 3.23%	64,880	-	6,710	58,170	7,069
BAN 2012 Emergency Acquisition 1.25%	-	123,279	-	123,279	40,584
Road Improvement BAN 2011 4.73%	40,000	-	3,220	36,780	3,373
Ambulance Acquisition Note 2011 2.49%	182,000	-	59,181	122,819	60,654
Road Improvement BAN 2012 1.88%	-	3,000,000	-	3,000,000	-
Various Purpose BAN 2012 2.00%	-	185,000	-	185,000	35,550
Total Governmental Long-Term Obligations	<u>\$ 2,076,042</u>	<u>\$ 3,708,279</u>	<u>\$ 793,984</u>	<u>\$ 4,990,337</u>	<u>\$ 449,025</u>

* Certain long term notes payable have been reclassified as part of long-term obligations rather than as short-term notes payable.

<u>Union-Rome Sewer Fund Obligations:</u>	Outstanding 12/31/2011	Additions	Deletions	Outstanding 12/31/2012	Due In One Year
Sewer 1998 7.11% OWDA Loan	\$ 38,908	\$ -	\$ 38,908	\$ -	\$ -
Sewer 1998 9.78% OWDA Loan	396,167	-	396,167	-	-
Sewer 2007 3.25% OWDA Loan	24,740,171	-	-	24,740,171	769,754
Sewer 1985 2.00% OWDA Loan	104,144	-	104,144	-	-
OWDA Loan Agreement #5423, 2010, 0%	1,141,718	188,069	88,599	1,241,188	-
OWDA Loan 5424	554,188	1,260	32,433	523,015	-
Subtotal OWDA Loans	<u>26,975,296</u>	<u>189,329</u>	<u>660,251</u>	<u>26,504,374</u>	<u>769,754</u>
OPWC Promissory Note					
1995 0.00%	361,604	-	54,117	307,487	54,117
OPWC Promissory Note 2009 0.00%	495,000	-	27,500	467,500	27,500
Subtotal Non OWDA	<u>856,604</u>	<u>-</u>	<u>81,617</u>	<u>774,987</u>	<u>81,617</u>
Total Union-Rome-Sewer Fund Obligations	<u>\$ 27,831,900</u>	<u>\$ 189,329</u>	<u>\$ 741,868</u>	<u>\$ 27,279,361</u>	<u>\$ 851,371</u>

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 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 real estate acquisition bonds issued in 2002 in the amount of \$110,000 were used to pay for a real estate acquisition. The debt was repaid during 2012.

The County issued \$400,000 in County Fairgrounds Building Bonds as interim financing and was subsequently reimbursed by the Agricultural Society during 2012 which was used to pay off the bonds in full in 2012.

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 is being 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 was repaid during 2012.

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 is being 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 lease financing agreement is being retired from the General fund.

The various purpose long term bond anticipation notes in the amount of \$520,000 were issued on May 1, 2010 and have a 10 year amortization period. This long term note is being retired from the General fund.

The computer equipment acquisition note in the amount of \$77,296 was issued on May 8, 2009 and has a 10 year amortization period. This long term note is being retired from the Clerk of Courts Computer Debt fund.

The County issued bond anticipation notes in the amount of \$40,000 on March 17, 2011 for the purpose of paying the County's share of making improvements to North Huntington Heights Road in the Village of Chesapeake. These notes have a 10 year amortization period. This long term note is being retired from the North Huntington Heights Debt Service fund.

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 1, 2014. This long term note is being retired from the Courthouse/Jail fund.

On June 28, 2012, the County issued Emergency Equipment Acquisition BANs in the amount of \$123,279 with a final maturity date of June 1, 2015. This long term note will be retired from the EMS Capital Improvement fund.

The County issued Road Improvement BANs in the amount of \$3,000,000 on February 16, 2012 maturing February 16, 2014. This long term note will be retired from the Motor Vehicle Gas Tax fund.

The County Issued Various Purpose BANs in the amount of \$185,000 on June 7, 2012. This long term note will be retired from the Courthouse/Jail fund.

The County received 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 being paid from property taxes.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 10 - DEBT OBLIGATIONS (Continued)

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

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

Year Ending December 31	General Obligation Principal	General Obligation Interest	OPWC Note Principal	Lease Financing Agreement Principal	Lease Financing Agreement Interest	Long Term Note Principal	Long Term Note Interest
2013	\$181,916	\$6,609	\$9,997	\$62,327	\$47,791	\$194,785	\$89,879
2014	22,791	1,855	9,997	56,733	43,963	3,200,594	84,058
2015	23,702	946	9,997	46,419	40,581	142,920	21,355
2016	-	-	4,996	49,148	37,853	105,463	17,189
2017	-	-	-	52,036	34,964	106,823	12,827
2018-2022	-	-	-	309,809	125,191	166,803	13,991
2023-2025	-	-	-	233,081	27,917	-	-
Total	\$228,409	\$9,410	\$34,987	\$809,553	\$358,260	\$3,917,388	\$239,299

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, 2012, \$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, 2012, \$4,620,070 has been drawn, including capitalized interest. \$2,734,835 has been repaid with ARRA principal forgiveness grants. The remaining debt is being paid from revenues derived by the County from the operation of the Union-Rome Sewer Fund. The sewer system improvement bonds were used for acquiring and installing equipment for the sewer system in the County. The debt will be paid from revenues derived by the County from the operation of the Union-Rome Sewer Fund.

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

Year Ending December 31	OPWC Loans	OWDA Principal	OWDA Interest
2013	\$81,617	\$769,754	\$245,482
2014	81,617	777,471	237,765
2015	81,617	785,265	229,971
2016	81,617	793,138	222,099
2017	81,617	801,088	214,148
2018-2022	174,402	4,127,530	948,653
2023-2027	137,500	4,338,612	737,570
2028-2032	55,000	4,560,489	515,695
2033-2037	-	4,784,128	330,050
2038-2040	-	3,002,696	52,598
	\$774,987	\$24,740,171	\$3,734,031

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 10 - DEBT OBLIGATIONS (Continued)

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. Total principal on these loans outstanding at December 31, 2012 was \$26,504,374 and interest estimated to be payable on this balance is \$4,181,255. The net revenue available for these loans was \$1,443,903 and principal and interest paid was \$1,048,298. The coverage ratio for the loans was 1.38 for the year ended December 31, 2012. 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.

Conduit Debt The County has Industrial Development Revenue Bonds outstanding in the aggregate principal of \$160,000 at December 31, 2012 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.

Component Unit On October 11, 2005, the Port Authority entered into a loan agreement with Oak Hill Bank. The Loan Agreement is for \$4,158,061 for thirty years. The terms of the note provide among other things, for repayment in equal monthly installments including principal and 4% Interest until 2010 and an adjustable rate thereafter not to go higher than 6% interest. The balance of the loan as of December 31, 2012 was \$2,786,843.

On September 11, 2007, the Port Authority entered into a loan agreement for \$600,000 with the State of Ohio in the Pioneer 166 Loan Program. The loan consists of monthly installments including principal and 1% interest for the first year and 3% interest thereafter. The balance of the loan as of December 31, 2012 was \$419,159.

On December 7, 2009, the Port Authority entered into a loan agreement with Liberty Federal Bank. The Loan Agreement is for \$338,250 for thirty years. The terms of the note provide among other things, for repayment in equal monthly installments including principal and 4.37% interest. The balance of the loan as of December 31, 2012 was \$254,020.

On July 19, 2012, the Port Authority entered into a loan agreement with Ohio River Valley Bank. The Loan Agreement is for \$700,000 for fifteen year. The terms of the note provide among other things, for repayment in equal monthly installments including principal and 3.30% interest. The balance of the loan as of December 31, 2012 was \$691,665.

NOTE 11 - NOTES PAYABLE (EXCLUDING LONG TERM NOTES)

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 short term note transactions for the year ended December 31, 2012, follows:

		Outstanding 12/31/2011	Issued	Retired	Outstanding 12/31/2012	Due Within One Year
<u>Governmental Activities</u>						
County Building Improvement						
Bond Anticipation Note	0.65%	\$ 30,000	\$ 25,000	\$ 30,000	\$ 25,000	\$ 25,000
New Group Home Real Estate Note	1.75%	136,045	132,045	136,045	132,045	132,045
Total Notes Payable		<u>\$ 166,045</u>	<u>\$ 157,045</u>	<u>\$ 166,045</u>	<u>\$ 157,045</u>	<u>\$ 157,045</u>

NOTE 11 - NOTES PAYABLE (EXCLUDING LONG TERM NOTES) (Continued)

The building improvement acquisition bond anticipation note in the amount of \$30,000 was issued in October 2011 and matured on October 2012. A new note in the amount of \$25,000 was issued in October 2012 and matures in October 2013. The New Group Home Real Estate Note in the amount of \$136,045 was issued on December 29, 2011 and matured on December 28, 2012. A new note in the amount of \$132,045 was issued on December 28, 2012 and matures on December 27, 2013. 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 2012.

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 2012, the County paid the CAO \$992,289 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 2012, the County made \$2,667 in contributions to the Commission.

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Ohio Valley Regional Development Commission

The Ohio Valley Regional Development Commission is a jointly governed organization that serves a twelve county economic development planning district in southern Ohio.

The Commission was formed to influence favorably the future economic, physical and social development of Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton Counties. Membership is comprised of elected and appointed county, municipal and township officials or their officially appointed designees, as well as members of the private sector, community action agencies and regional planning commissions. The Commission is not dependent upon Lawrence County for its existence. In 2012, the County made \$10,667 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 2012.

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 2012, Lawrence County paid \$302,647 to the Council for basic insurance coverage and claims.

NOTE 13 - PUBLIC ENTITY SHARED RISK POOLS (Continued)

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 contributed \$289,249 to the District during 2012. 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.

During November 2012, the County was no longer the fiscal agent for the Scioto-Lawrence Counties Joint Solid Waste District. The monies on hand with Lawrence County were transferred to Scioto County on November 16, 2012. The County is no longer reporting the Scioto-Lawrence Counties Joint Solid Waste District as an Agency fund as of December 31, 2012.

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 received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the County at December 31, 2012, if applicable, cannot be determined at this time.

The Auditor of State is currently reviewing matters surrounding certain grant reporting. The results of the review may have an effect on certain grants and could therefore impact the financial statements. The effect on the grants and the impact on the financial statements cannot be determined by management at this time.

At December 31, 2012, 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 2012, these contributions were \$655,400.

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 2012, these contributions were \$142,050.

NOTE 18-INTERFUND ACTIVITY

Advances

The Lawrence Drug Task Nonmajor Special Revenue Fund advanced \$3,052 to the VOCA Nonmajor Special Revenue Fund in repayment of a prior year advance.

Transfers

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$79,690	\$2,766,559
Other Governmental Funds	2,859,135	167,268
Total Governmental Funds	<u>2,938,825</u>	<u>2,933,827</u>
Union Rome Enterprise Fund	-	4,998
Grand Total	<u>\$2,938,825</u>	<u>\$2,938,825</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 court-ordered transfers from the Court Development, Common Pleas and Juvenile Court IV-D Contract Funds. Transfers from other governmental funds to other governmental funds were for debt service.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 19-COMPLIANCE

The Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. Contrary to this requirement, the County elects to prepare its annual financial report in accordance with the cash basis of accounting.

NOTE 20-CONTRACT COMMITMENTS

During the fiscal year, the County entered into the following contracts for the purpose of various improvements:

Contractor	Contract Amount	Amount Paid as of 12/31/12	Remaining Balance
FEMA Projects			
The Righter Co.	\$ 248,899	\$ 133,249	\$ 115,650
OH-WV Excavating	207,207	-	207,207
BBR Drilling	723,139	-	723,139
USDA NRCS	30,989	-	30,989

NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES/PRIOR PERIOD RESTATEMENT

For 2012 the County implemented GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” and GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities”.

Statement No. 62 incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of these statements did not have any effect on net position of the County for 2012.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES/PRIOR PERIOD RESTATEMENT (Continued)

The County restated the fund balances of certain funds to correct errors. This had the following effect on beginning fund balances.

	General Fund	Board of Developmental Disabilities Fund	Job and Family Services Fund	Motor Vehicle and Gas Tax Fund	All Other Governmental Funds	Total Governmental Funds
Beginning Fund						
Balance - January 1, 2012	\$ 1,766,312	\$ 4,110,308	\$ 121,873	\$ 1,586,301	\$ 4,613,677	\$ 12,198,471
Correction of Errors	5,960	-	-	-	(5,960)	-
Restated Balance - January 1, 2012	<u>\$ 1,772,272</u>	<u>\$ 4,110,308</u>	<u>\$ 121,873</u>	<u>\$ 1,586,301</u>	<u>\$ 4,607,717</u>	<u>\$ 12,198,471</u>

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 Monies	\$ 136,972	\$ -	\$ -	\$ -	\$ -	\$ 136,972
Restricted for						
LCBDD	-	4,658,671	-	-	-	4,658,671
Job and Family Services	-	-	126,791	-	-	126,791
Motor Vehicle Gas Tax	-	-	-	3,851,192	-	3,851,192
Real Estate Assessment	-	-	-	-	417,695	417,695
Court Development	-	-	-	-	310,524	310,524
Care and Custody	-	-	-	-	147,050	147,050
Family Resources	-	-	-	-	143,080	143,080
Child Support	-	-	-	-	291,518	291,518
GIS	-	-	-	-	120,639	120,639
EMS	-	-	-	-	290,572	290,572
Indigent Drivers	-	-	-	-	124,520	124,520
Common Pleas Court	-	-	-	-	161,933	161,933
Other Purposes	-	-	-	-	1,454,432	1,454,432
Capital Improvements	-	-	-	-	322,013	322,013
Debt Services Payments	-	-	-	-	102,756	102,756
Total Restricted	<u>-</u>	<u>4,658,671</u>	<u>126,791</u>	<u>3,851,192</u>	<u>3,886,732</u>	<u>12,523,386</u>
Assigned to						
Other Purposes	545,906	-	-	-	-	545,906
Unassigned						
	<u>1,050,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,050,461</u>
Total Fund Balances	<u>\$ 1,733,339</u>	<u>\$ 4,658,671</u>	<u>\$ 126,791</u>	<u>\$ 3,851,192</u>	<u>\$ 3,886,732</u>	<u>\$ 14,256,725</u>

NOTE 23 – SUBSEQUENT EVENTS

The Auditor of State is currently reviewing matters surrounding certain grant reporting. The results of the review is unknown at this time.

Lawrence County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2012

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	\$12,356	\$0
National School Lunch Program	3L60	10.555	<u>20,426</u>	<u>899</u>
Total Nutrition Cluster			32,782	899
<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	<u>500,670</u>	<u>0</u>
Total United States Department of Agriculture			533,452	899
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	113,130	0
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-F-11-1BN-1	14.228	77,939	0
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-F-09-1BN-1	14.228	16,857	0
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-E-10-1BN-1	14.228	<u>368,497</u>	<u>0</u>
Total United States Department of Housing and Urban Development			576,423	0
United States Department of Justice				
<i>Direct from the Federal Government:</i>				
Public Safety Partnership and Community Policing Grants	N/A	16.710	300,000	0
<i>Passed through the State of Ohio Office of Criminal Justice Services:</i>				
Crime Victim Assistance:				
Crime Victim Assistance	2012VAGENE051	16.575	50,661	0
Crime Victim Assistance	2013VAGENE051	16.575	<u>15,429</u>	<u>0</u>
Total Crime Victim Assistance			66,090	
Edward Byrne Memorial Justice Assistance Grant Program:				
Drug/Major Crimes Task Force	2010-JG-A01-6284	16.738	18,875	0
Drug/Major Crimes Task Force	2011-JG-A01-6284	16.738	52,976	0
Drug/Major Crimes Task Force	2010-DL-LEF-5813	16.738	19,221	0
Drug/Major Crimes Task Force	2011-DL-LEF-5813	16.738	93,380	0
Drug/Major Crimes Task Force	2010-JG-LLE-5218	16.738	<u>10,000</u>	<u>0</u>
Total Edward Byrne Memorial Justice Assistance Grant Program			194,452	0
Total United States Department of Justice			560,542	0
United States Department of Transportation				
<i>Direct from the Federal Government:</i>				
Airport Improvement Program	N/A	20.106	5,100	0
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction	PID #91537	20.205	102,185	0
Highway Planning and Construction	PID #92742	20.205	42,142	0
Highway Planning and Construction	PID #91365	20.205	158,181	0
Highway Planning and Construction	PID #91363	20.205	394,373	0
Highway Planning and Construction	PID #91538	20.205	<u>3,145</u>	<u>0</u>
			700,026	0
Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	20.703	<u>5,132</u>	<u>0</u>
Total United States Department of Transportation			710,258	0
United States Department of Education				
<i>Passed Through Ohio Department of Health:</i>				
Special Education-Grants for Infants and Families	G-1213-11-0064	84.181	74,242	0
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States	3M20	84.027	95,147	0
Special Education Preschool Grants	3C50	84.173	<u>102,140</u>	<u>0</u>
Total Special Education Cluster			197,287	0
Total United States Department of Education			271,529	0

(continued)

Lawrence County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2012

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	\$37,691	\$0
<i>Passed Through Ohio Department of Job and Family Services:</i>				
State Children's Insurance Program				
Children's Health Insurance Program	G-1213-11-0064	93.767	8,472	0
<i>Passed Through Ohio Department of Developmental Disabilities:</i>				
Medical Assistance Program				
Targeted Case Management - MAC Payments	N/A	93.778	51,922	0
Total Medical Assistance Program			<u>51,922</u>	<u>0</u>
<i>Passed Through Ohio Department of Job and Family Services:</i>				
Temporary Assistance for Needy Families	G-1213-11-0064	93.558	2,446,251	0
Child Support Enforcement	G-1213-11-0064	93.563	565,500	0
Adoption Assistance	G-1213-11-0064	93.659	1,947	0
Child Welfare Services	G-1213-11-0064	93.645	36,089	0
Social Services Block Grant	G-1213-11-0064	93.667	661,574	0
Chafee Foster Care Independence Program	G-1213-11-0064	93.674	200	0
Medical Assistance Program	G-1213-11-0064	93.778	607,312	0
Foster Care Title IV-E	G-1213-11-0064	93.658	189,822	0
Child Care and Development Block Grant	G-1213-11-0064	93.575	<u>87,414</u>	<u>0</u>
Total United States Department of Health and Human Services			4,694,194	0
United States Election Assistance Commission (EAC)				
<i>Passed Through Ohio Secretary of State:</i>				
Help America Vote Act	N/A	90.401	2,225	0
Total United States Election Assistance Commission (EAC)			2,225	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	2,633,289	0
Emergency Management Performance Grants	2010-EM-E10-0002	97.042	34,781	0
Homeland Security Programs:				
FY09 Homeland Security Program	N/A	97.067	74,158	0
FY10 Homeland Security Program	N/A	97.067	24,310	0
Total State Homeland Security Program			<u>98,468</u>	<u>0</u>
Total United States Department of Homeland Security			2,766,538	0
Total Federal Awards Expenditures			\$10,115,161	\$899

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, 2012

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. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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 and to eligible persons and to rehabilitate homes. 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, 2012, 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 – Ohio Department of Developmental Disabilities

During the calendar year, the County Board of Developmental Disabilities received a refund for eFMAP (ARRA) funds for the Medicaid Program (CFDA #93.778) in the amount of \$179 from the Ohio Department of Developmental Disabilities. This refund was a correction to the eFMAP percentage for four billing cycles during July and August 2009. This revenue is not listed on the County's Schedule of Expenditures of Federal Awards 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*

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Lawrence County, Ohio (the County) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 30, 2013, wherein we noted the County followed the cash basis of accounting rather than accounting principles generally accepted in the United States of America. Our report includes a reference to other auditors who audited the financial statements of Tri-State Industries, Inc., Choices Inc., and 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* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Tri-State Industries, Inc. or Choices Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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 a 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. A significant deficiency is a deficiency, or a 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.

Lawrence County

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*

Page 2

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.

County's Response to Findings

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

September 30, 2013

**Report on Compliance For Each Major Program; and Report on Internal Control Over Compliance
Required by OMB Circular A-133**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Lawrence County's, Ohio (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, 2012. 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.

The County's basic financial statements include the operations of the Lawrence County Port Authority, which received \$1,592,518 in federal awards which is not included in the schedule during the year ended December 31, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of 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, 2012.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-2 and 2012-3. Our opinion on each major federal major was not modified with respect to these matters.

The County's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2012-2 and 2012-3, that we consider to be significant deficiencies.

Lawrence County
Report on Compliance For Each Major Program; and Report on Internal Control Over Compliance
Required by OMB Circular A-133
Page 3

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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

September 30, 2013

Lawrence County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2012

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>	
Type of financial statement opinion:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
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?	Yes
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes
Identification of major program(s):	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA #10.561) Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii (CFDA #14.228) Highway Planning and Construction (CFDA #20.205) Social Services Block Grant (CFDA #93.667) Temporary Assistance for Needy Families (CFDA #93.558)
Dollar threshold used to distinguish between type A and type B programs:	\$303,481
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

Finding 2012-1

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.

Lawrence County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2012

Finding 2012-1 (Continued)

Noncompliance – Financial Reporting (Continued)

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.

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.

Section III – Federal Award Findings and Questioned Costs
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Finding 2012-2

CFDA Title and Number	Community Development Block Grants/State’s Program, CFDA #14.228
Federal Award Number and Year	2010/2011/2012
Federal Agency	US Department of Housing and Urban Development
Pass-Through Entity	Ohio Department of Development

Noncompliance/Significant Deficiency – Subrecipient Monitoring

Office of Management and Budget (OMB) Circular A-133, Subpart D, Section 400(d)(3) states a pass-through entity shall monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts or grant agreements and that performance goals are achieved. A pass-through entity needs to establish an appropriate subrecipient monitoring process to decide what, if any, additional monitoring procedures may be necessary to ensure the subrecipient’s compliance. During 2012, the Board of County Commissioners contracted with the Ironton-Lawrence County Community Action Organization, Inc. to provide services related to its CDBG State Administered Small Cities Program Federal grant. The County did not adequately monitor the funds. The County cannot ensure its subrecipient was using CDBG funds for authorized purpose in compliance with provisions of the grant without adequate monitoring. The County should establish and maintain their own internal control procedures over compliance to grant requirements. The Board of County Commissioners should develop and implement a subrecipient monitoring policy, including, but not limited to, provision for assessment of its subrecipient’s susceptibility to the OMB Circular A-133 audit requirement and, where appropriate, review of the resulting reports. The policy should include provisions for appropriate follow-up to such audits. Monitoring should be performed throughout the life of the grant. The Board of County Commissioners should also monitor federal expenditures to ensure that they are made for the purpose intended under the grant agreement. County Commissioners should review OMB Circular A-133, Subpart D, Section 400(d), which lists its responsibilities as a pass through entity.

Corrective Action/Client Response:

The Commissioners will strive to monitor subrecipient to ensure they are appropriately using CDBG monies.

Lawrence County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2012

Finding 2012-3

CFDA Title and Number	Community Development Block Grants/State's Program, CFDA #14.228
Federal Award Number and Year	2010/2011/2012
Federal Agency	US Department of Housing and Urban Development
Pass-Through Entity	Ohio Department of Development

Noncompliance/Significant Deficiency – Cash Management

24 C.F.R. Section 85.21(c) and Section (A)(3)(f) of the Ohio Department of Development, Office of Housing and Community Partnership's Financial Management Rules and Regulations Handbook, require grantees to develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that draw downs should be limited to amounts that will enable the grantee to disburse funds on hand to a balance of less than \$5,000 within fifteen days of receipts. In 2012, the County did not disburse federal cash received from draw down requests within the fifteen day requirement in several instances. The County should implement a cash management program to facilitate monitoring of these cash draw downs to ensure that funds are expended within fifteen days of receipt. In order to alleviate the difficulty of complying with these cash management requirements, the County may consider the use of interfund advances from the general fund to the fund from which these receipts are disbursed. Once grant funding is subsequently received from the grantor agency, advances could be repaid to the general fund.

Corrective Action/Client Response:

The Commissioners will strive to see that all CDBG monies are spent within 15 days.

Lawrence County
Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)
For the Year Ended December 31, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2011-1	Noncompliance with ORC Section 117.38/OAC Section 117-2-03(B) – Failure to Report on Required Accounting Basis	No	Reissued as Finding 2012-1
Finding 2011-2	Significant Deficiency – Internal Control Over Financial Reporting and Federal Schedule Reporting	No	Partially Corrected – Reissued in Management Letter
Finding 2011-3	Noncompliance with debt agreements	Yes	

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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
SEPTEMBER 17, 2015