

Lawrence County
Single Audit
For the Year Ended December 31, 2010



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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lawrence County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

October 13, 2011

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Lawrence County
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Lawrence County, Ohio (the County) as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Tri-State Industries, Inc., Choices Inc., or the Lawrence County Port Authority, which are included as discrete presentations in the County's basic financial statements. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for Tri-State Industries, Inc., Choices Inc., and the Lawrence County Port Authority are based solely on the report of other auditors.

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

Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Lawrence County, Ohio as of December 31, 2010, and the respective changes in cash basis financial position thereof, and the respective budgetary comparisons for the General Fund, Board of Developmental Disabilities Fund, Job and Family Services Fund, and Motor Vehicle Gasoline Tax Fund for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2011 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.

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

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



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

September 29, 2011

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2010
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, 2010, 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 2010 are as follows:

Overall (Primary Government):

Total net assets decreased \$1,280,602 with governmental activities decreasing by \$371,395 and business-type activities decreasing by \$909,207.

Total cash receipts were \$51,882,905 in 2010.

Total program cash disbursements were \$53,163,507 in 2010.

Governmental Activities:

Total program cash receipts were \$26,131,603 in 2010, while program cash disbursements were \$44,587,989.

Program cash disbursements were primarily composed of human services, public safety, public health, public works, legislative and executive, and capital outlay related cash disbursements which were \$11,091,021, \$6,073,952, \$7,444,559, \$4,604,741, \$3,667,264 and \$4,305,781, respectively in 2010.

Business-Type Activities:

Total program cash receipts were \$3,863,648 for business-type activities, while corresponding cash disbursements were \$8,575,518. Proceeds from loans provided an additional \$3,802,663 in general receipts.

Using this Basic Financial Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's cash basis of accounting.

The statement of net assets-cash basis and statement of activities-cash basis provide information about the activities of the whole County, presenting both an aggregate view of the County's cash basis finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of Lawrence County, the General Fund, the Motor Vehicle Gasoline Tax Fund, the Job and Family Services Fund, and the Board of Developmental Disabilities Fund are the most significant governmental funds and have been presented as major funds. The Union-Rome Sewer Fund is also considered a major fund.

Reporting the County as a Whole

The County's Reporting Entity Presentation

This annual report includes all activities for which Lawrence County is fiscally responsible. These activities, defined as the County's reporting entity, are operated within separate legal entities that make up the primary government and three other separate legal entities that are presented as component units. The primary government consists of Lawrence County. The component unit presentation includes the following separate legal entities: Tri-State Industries, Inc., Choices, Inc., and Lawrence County Port Authority.

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all cash basis financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the County's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether, for the County as a whole, the *cash basis financial position* of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net assets and the statement of activities, the County is divided into three distinct kinds of activities:

Governmental Activities – Most of the County's programs and services are reported here including general government, public safety, public works, health, human services, community and economic development, transportation, other, capital outlay, and debt service.

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The County's wastewater treatment program is reported as business-type activities.

Component Unit Activities – Although Tri-State Industries, Inc., Choices, Inc., and the Lawrence County Port Authority are separate legal entities, the County includes their activities since the County is financially accountable for these three entities.

Reporting the County's Most Significant Funds

Fund Financial Statements

The analysis of the County's major funds begins on page 8. Fund financial statements provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's most significant funds that have been presented as major governmental funds are the General Fund, the Board of Developmental Disabilities Fund, the Job and Family Services Fund, and the Motor Vehicle Gasoline Tax Fund. The County's most significant fund that has been presented as a major enterprise fund is the Union-Rome Sewer Fund.

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Governmental Funds Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various County programs. Since the County is reporting on the cash basis of accounting, there are no differences in the net assets and fund cash balances or changes in net assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross receipts and disbursements on the fund financial statements to the statement of activities due to transfers netted on the statement of activities. See note 2 to the basic financial statements entitled "Government-Wide Financial Statements".

Proprietary Funds The County's proprietary funds use the same basis of accounting (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the County as a whole.

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

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

The County as a Whole

Recall that the statement of net assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's net assets for 2010 compared to the prior year:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Assets						
Equity in Pooled Cash and Cash Equivalents	\$9,566,717	\$9,938,112	\$734,406	\$1,643,613	\$10,301,123	\$11,581,725
<i>Total Assets</i>	<i>9,566,717</i>	<i>9,938,112</i>	<i>734,406</i>	<i>1,643,613</i>	<i>10,301,123</i>	<i>11,581,725</i>
Net Assets						
Restricted	8,346,722	8,785,531	-	-	8,346,722	8,785,531
Unrestricted	1,219,995	1,152,581	734,406	1,643,613	1,954,401	2,796,194
<i>Total Net Assets</i>	<i>\$9,566,717</i>	<i>\$9,938,112</i>	<i>\$734,406</i>	<i>\$1,643,613</i>	<i>\$10,301,123</i>	<i>\$11,581,725</i>

Total assets and net assets decreased by \$1,280,602 from 2009 to 2010, which will be further discussed below.

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2010
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Table 2 shows the changes in net assets for 2010 and 2009.

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009*	2010	2009	2010	2009
Cash Receipts						
<i>Program Cash Receipts</i>						
Charges for Sales and Services	\$5,231,158	\$4,612,361	\$2,020,485	\$1,943,665	\$7,251,643	\$6,556,026
Operating Grants and Contributions	18,918,686	21,828,565	-	-	18,918,686	21,828,565
Capital Grants and Contributions	1,981,759	1,036,314	1,843,163	255,485	3,824,922	1,291,799
Total Program Cash Receipts	26,131,603	27,477,240	3,863,648	2,199,150	29,995,251	29,676,390
<i>General Cash Receipts</i>						
Property Taxes	4,131,431	4,113,282	-	-	4,131,431	4,113,282
Sales Taxes	7,284,395	6,570,669	-	-	7,284,395	6,570,669
Payments in Lieu of Taxes	168,345	190,267	-	-	168,345	190,267
Grants and Entitlements Not Restricted	1,817,948	1,837,830	-	-	1,817,948	1,837,830
Interest	242,826	55,765	-	-	242,826	55,765
Miscellaneous	1,071,415	966,395	-	-	1,071,415	966,395
Proceeds from Sale of Notes	2,248,294	3,579,545	-	-	2,248,294	3,579,545
Proceeds from Lease Financing Agreement	820,522	-	-	-	820,522	-
Proceeds from Loans	-	-	3,802,663	13,008,375	3,802,663	13,008,375
Proceeds from Sale of Assets	299,815	451,004	-	-	299,815	451,004
Total General Cash Receipts	18,084,991	17,764,757	3,802,663	13,008,375	21,887,654	30,773,132
Total Cash Receipts	44,216,594	45,241,997	7,666,311	15,207,525	51,882,905	60,449,522
Cash Disbursements						
General Government:						
Legislative and Executive	3,667,264	3,537,118	-	-	3,667,264	3,537,118
Judicial	3,236,442	3,080,089	-	-	3,236,442	3,080,089
Public Safety	6,073,952	5,881,487	-	-	6,073,952	5,881,487
Public Works	4,604,741	4,822,429	-	-	4,604,741	4,822,429
Health	7,444,559	7,058,955	-	-	7,444,559	7,058,955
Human Services	11,091,021	15,257,752	-	-	11,091,021	15,257,752
Community and Economic Development	492,315	819,772	-	-	492,315	819,772
Transportation	20,978	6,000	-	-	20,978	6,000
Other	602,290	497,782	-	-	602,290	497,782
Capital Outlay	4,305,781	1,086,219	-	-	4,305,781	1,086,219
Debt Service:						
Principal Retirements	2,901,743	3,614,908	-	-	2,901,743	3,614,908
Interest and Fiscal Charges	146,903	144,055	-	-	146,903	144,055
Wastewater Treatment	-	-	8,575,518	15,138,124	8,575,518	15,138,124
Total Cash Disbursements	44,587,989	45,806,566	8,575,518	15,138,124	53,163,507	60,944,690
<i>Increase (Decrease) in Net Assets</i>	(371,395)	(564,569)	(909,207)	69,401	(1,280,602)	(495,168)
<i>Net Assets, Beginning</i>	9,938,112	10,502,681	1,643,613	1,574,212	11,581,725	12,076,893
<i>Net Assets, Ending</i>	\$9,566,717	\$9,938,112	\$734,406	\$1,643,613	\$10,301,123	\$11,581,725

* Certain reclassifications were made for consistency with current year reporting.

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Governmental Activities Operating grants and contributions decreased by \$2,909,879 due primarily to a decrease in funding for public assistance program of \$3.5 million. Interest receipts increased \$187,061 due to the maturity of certificates of deposit for which interest was not received until maturity. Proceeds from the sale of notes decreased \$1,331,251 due primarily to the issuance of new notes in 2010 for land acquisition, equipment purchases, and road improvements, which were less than 2009 note issuances. Capital grants and contributions increased due to increased funding for various capital projects.

Property taxes and sales taxes made up 9 percent and 16 percent, respectively, of cash receipts for governmental activities for Lawrence County in 2010. Operating grants and contributions made up 43 percent of cash receipts for governmental activities for the County.

Public works disbursements decreased \$217,688 due to the decrease in disbursements related to motor vehicle and gasoline tax and county road programs. Human services disbursements decreased \$4,166,731 as a direct result of decreased funding for public assistance programs. Community and economic development decreased \$327,457 as a direct result of increased funding for community development block grant programs. Capital outlay disbursements increased \$3,219,562 due to ARRA funding and debt issuances.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental and business-type activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements. The dependence upon tax receipts and intergovernmental monies for governmental and business-type activities is apparent. Most of the human services activities are supported through charges for services and operating grants and contributions; for all governmental activities general cash receipts support is 41 percent as shown in Table 2. The taxpayers and the State of Ohio, as a whole, provide the vast majority of resources for Lawrence County. Tables 3 and 4 below show the total and net cost of services (on a cash basis) for the County.

Table 3
 Total Cost of Program Services
 Governmental Activities

	2010		2009*	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government:				
Legislative and Executive	\$3,667,264	\$2,877,606	\$3,537,118	\$2,372,573
Judicial	3,236,442	2,394,952	3,080,089	2,330,728
Public Safety	6,073,952	3,102,896	5,881,487	3,040,987
Public Works	4,604,741	1,165,610	4,822,429	1,326,928
Health	7,444,559	1,407,631	7,058,955	1,669,053
Human Services	11,091,021	2,117,207	15,257,752	3,498,386
Community and Economic Development	492,315	83,378	819,772	179,523
Transportation	20,978	3,553	6,000	1,314
Other	602,290	522,905	497,782	433,017
Capital Outlay	4,305,781	1,966,302	1,086,219	(125,946)
Debt Service:				
Principal Retirements	2,901,743	2,901,743	3,614,908	3,614,908
Interest and Fiscal Charges	146,903	(87,397)	144,055	(12,145)
Total Cash Disbursements	\$44,587,989	\$18,456,386	\$45,806,566	\$18,329,326

* Certain reclassifications were made for consistency with current year reporting.

Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Table 4
 Total Cost of Program Services
 Business-Type Activities

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Wastewater Treatment	\$8,575,518	\$4,711,870	\$15,138,124	\$12,938,974
<i>Total Cash Disbursements</i>	\$8,575,518	\$4,711,870	\$15,138,124	\$12,938,974

Business-Type Activities Business-type activities include wastewater treatment services. Overall net assets decreased \$909,207 from 2009 to 2010. Program disbursements exceeded program receipts for the wastewater treatment segment in the amount of \$4,711,870 as a result of increased capital outlay related to the wastewater treatment plant construction project. This deficit was partially offset by proceeds from loans.

The County's Funds

Information about the County's major funds starts on page 14. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$48,079,874 and cash disbursements and other financing uses of \$48,451,269. The net change in fund balance for the year was most significant in the Board of Developmental Disabilities Fund and the Job and Family Services Fund, where the Board of Developmental Disabilities Fund cash balance went from \$2,693,656 in 2009 to \$3,635,117 for 2010, and the Job and Family Services Fund cash balance went from \$573,335 in 2009 to \$89,883 for 2010. For the Motor Vehicle Gasoline Tax Fund, the fund balance increased \$61,588, while the fund balance of the General Fund increased \$67,414.

General Fund Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. For the General Fund, total actual receipts and other financing sources were \$14,070,519, above original budget estimates of \$12,701,196. The increase is due primarily to sales tax receipts. Final budgeted receipts and other financing sources also increased from original budgeted amounts due to sales tax. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$14,067,121, \$3,398 below cash receipts. Original budgeted appropriations and were \$13,304,950, while final budgeted amounts were \$14,185,845. The difference is due primarily to transfers out and public safety disbursements.

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 \$4,305,781 and \$3,564,084 for its governmental activities and its business-type activities, respectively, during 2010.

Lawrence County
Management's Discussion and Analysis
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Debt

Under the cash basis of accounting the County does not report bonds, leases, long-term notes or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds, leases, long-term notes and short-term notes. At December 31, 2010, the County had \$1,524,246 outstanding in bonds and related long-term debt for governmental activities and \$26,954,455 outstanding in bonds and related long-term debt for business-type activities. As of December 31, 2010, the County had \$2,798,872 in notes outstanding, \$2,297,511 of which is due within one year. 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 2010 and 2009:

Table 5
 Outstanding Debt at December 31
 Governmental Activities

	2010	2009
General Obligation Bonds	\$648,743	\$861,522
Lease Financing Agreement	820,522	-
OPWC Promissory Note	54,981	64,978
Totals	\$1,524,246	\$926,500

Table 6 summarizes bonds and long-term debt outstanding for business-type activities for 2010 and 2009:

Table 6
 Outstanding Debt at December 31
 Business-Type Activities

	2010	2009
OWDA Loans	\$26,016,234	\$24,518,764
OPWC Promissory Notes	938,221	1,019,838
Total	\$26,954,455	\$25,538,602

Current Financial Related Activities

As the preceding information shows, the County heavily depends on its property and sales taxpayers as well as intergovernmental monies. Since the property tax receipts do not grow at the same level as inflation, and sales tax receipts are dependent upon the economy, the County will be faced with significant challenges over the next several years to contain costs and ultimately determine what options are available to the County to increase financial resources.

All of the County's financial abilities will be needed to meet the challenges of the future.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's cash basis finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jason C. Stephens, County Auditor at Lawrence County, 111 South Fourth Street, Ironton, Ohio 45638.

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Lawrence County
Statement of Net Assets - Cash Basis
For the Year Ended December 31, 2010

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Tri-State Industries	Choices, Inc.	Lawrence County Port Authority
ASSETS						
Equity in Pooled Cash and Cash Equivalents	\$ 9,566,717	\$ 734,406	\$ 10,301,123	\$ 110,586	\$ 83,510	\$ 161,925
<i>Total Assets</i>	<u>9,566,717</u>	<u>734,406</u>	<u>10,301,123</u>	<u>110,586</u>	<u>83,510</u>	<u>161,925</u>
NET ASSETS						
Restricted for:						
Developmental Disabilities	3,635,117	-	3,635,117	-	-	-
Job and Family Services	89,883	-	89,883	-	-	-
Motor Vehicle and Gas Tax	680,891	-	680,891	-	-	-
Supported Living	271,427	-	271,427	-	-	-
Real Estate Assessment	575,641	-	575,641	-	-	-
911 Assistance	208,027	-	208,027	-	-	-
Court Development	235,543	-	235,543	-	-	-
Care and Custody	149,082	-	149,082	-	-	-
Family Resources	117,790	-	117,790	-	-	-
Child Support	94,617	-	94,617	-	-	-
Title	174,492	-	174,492	-	-	-
GIS	123,019	-	123,019	-	-	-
Indigent Drivers	113,175	-	113,175	-	-	-
Common Pleas Court	130,523	-	130,523	-	-	-
Debt Service	110,206	-	110,206	-	-	-
Capital Projects	425,796	-	425,796	-	-	-
Other Purposes	1,211,493	-	1,211,493	110,586	83,510	161,925
Unrestricted	<u>1,219,995</u>	<u>734,406</u>	<u>1,954,401</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Net Assets</i>	<u>\$ 9,566,717</u>	<u>\$ 734,406</u>	<u>\$ 10,301,123</u>	<u>\$ 110,586</u>	<u>\$ 83,510</u>	<u>\$ 161,925</u>

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, 2010

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	\$ 3,667,264	\$ 438,172	\$ 292,409	\$ 59,077
Judicial	3,236,442	393,140	448,350	-
Public Safety	6,073,952	1,113,462	1,857,594	-
Public Works	4,604,741	530,131	2,853,951	55,049
Health	7,444,559	865,916	5,171,012	-
Human Services	11,091,021	1,290,245	7,683,569	-
Community and Economic Development	492,315	57,173	351,764	-
Transportation	20,978	2,436	14,989	-
Other	602,290	73,885	5,500	-
Capital Outlay	4,305,781	232,298	239,548	1,867,633
Debt Service:				
Principal Retirements	2,901,743	-	-	-
Interest and Fiscal Charges	146,903	234,300	-	-
<i>Total Governmental Activities</i>	<u>44,587,989</u>	<u>5,231,158</u>	<u>18,918,686</u>	<u>1,981,759</u>
Business-Type Activities:				
Wastewater Treatment	8,575,518	2,020,485	-	1,843,163
<i>Total Business-Type Activities</i>	<u>8,575,518</u>	<u>2,020,485</u>	<u>-</u>	<u>1,843,163</u>
<i>Total Primary Government</i>	<u>\$ 53,163,507</u>	<u>\$ 7,251,643</u>	<u>\$ 18,918,686</u>	<u>\$ 3,824,922</u>
Component Units:				
Tri-State Industries, Inc.	\$ 1,232,421	\$ 313,686	\$ 831,355	\$ -
Choices, Inc.	738,311	130,578	261,339	-
Lawrence County Port Authority	1,088,733	449,221	553,516	-
<i>Total Component Units</i>	<u>\$ 3,059,465</u>	<u>\$ 893,485</u>	<u>\$ 1,646,210</u>	<u>\$ -</u>

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

Total General Cash Receipts

Changes in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

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

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

Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	Tri-State Industries	Choices Inc.	Lawrence County Port Authority
\$ (2,877,606)	\$ -	\$ (2,877,606)	\$ -	\$ -	\$ -
(2,394,952)	-	(2,394,952)	-	-	-
(3,102,896)	-	(3,102,896)	-	-	-
(1,165,610)	-	(1,165,610)	-	-	-
(1,407,631)	-	(1,407,631)	-	-	-
(2,117,207)	-	(2,117,207)	-	-	-
(83,378)	-	(83,378)	-	-	-
(3,553)	-	(3,553)	-	-	-
(522,905)	-	(522,905)	-	-	-
(1,966,302)	-	(1,966,302)	-	-	-
(2,901,743)	-	(2,901,743)	-	-	-
87,397	-	87,397	-	-	-
<u>(18,456,386)</u>	<u>-</u>	<u>(18,456,386)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(4,711,870)</u>	<u>(4,711,870)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(4,711,870)</u>	<u>(4,711,870)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(18,456,386)	(4,711,870)	(23,168,256)	-	-	-
			(87,380)	-	-
			-	(346,394)	-
			<u>-</u>	<u>-</u>	<u>(85,996)</u>
			(87,380)	(346,394)	(85,996)
2,376,840	-	2,376,840	-	-	-
1,754,591	-	1,754,591	-	-	-
7,284,395	-	7,284,395	-	-	-
168,345	-	168,345	-	-	-
1,817,948	-	1,817,948	-	-	-
2,248,294	-	2,248,294	-	406,747	-
820,522	-	820,522	-	-	-
-	3,802,663	3,802,663	-	-	-
299,815	-	299,815	-	-	-
242,826	-	242,826	1,492	10	143,781
<u>1,071,415</u>	<u>-</u>	<u>1,071,415</u>	<u>-</u>	<u>-</u>	<u>904</u>
<u>18,084,991</u>	<u>3,802,663</u>	<u>21,887,654</u>	<u>1,492</u>	<u>406,757</u>	<u>144,685</u>
(371,395)	(909,207)	(1,280,602)	(85,888)	60,363	58,689
<u>9,938,112</u>	<u>1,643,613</u>	<u>11,581,725</u>	<u>196,474</u>	<u>23,147</u>	<u>103,236</u>
<u>\$ 9,566,717</u>	<u>\$ 734,406</u>	<u>\$ 10,301,123</u>	<u>\$ 110,586</u>	<u>\$ 83,510</u>	<u>\$ 161,925</u>

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, 2010*

	General	Board of Developmental Disabilities	Job and Family Services	Motor Vehicle Gasoline Tax	All Other Governmental Funds	Total Governmental Funds
CASH RECEIPTS						
Property Taxes	\$ 2,376,840	\$ 1,754,591	\$ -	\$ -	\$ -	\$ 4,131,431
Sales Taxes	7,284,395	-	-	-	-	7,284,395
Payments in Lieu of Taxes	142,549	2,296	-	-	23,500	168,345
Charges for Services	1,332,637	506,996	730,846	-	2,270,704	4,841,183
Licenses and Permits	4,181	-	-	-	728	4,909
Fines and Forfeitures	360,913	-	-	23,161	992	385,066
Intergovernmental	1,539,391	4,106,115	6,216,881	4,177,607	6,678,399	22,718,393
Interest	192,802	38,728	-	9,054	2,242	242,826
Other	377,906	241,304	8,512	12,815	430,878	1,071,415
<i>Total Cash Receipts</i>	<u>13,611,614</u>	<u>6,650,030</u>	<u>6,956,239</u>	<u>4,222,637</u>	<u>9,407,443</u>	<u>40,847,963</u>
CASH DISBURSEMENTS						
Current:						
General Government:						
Legislative and Executive	3,133,662	-	-	-	533,602	3,667,264
Judicial	2,608,949	-	-	-	627,493	3,236,442
Public Safety	3,474,136	-	-	-	2,599,816	6,073,952
Public Works	494,584	-	-	3,994,279	115,878	4,604,741
Health	207,412	5,626,611	-	-	1,610,536	7,444,559
Human Services	337,397	-	7,433,934	-	3,319,690	11,091,021
Community and Economic Development	-	-	-	-	492,315	492,315
Transportation	-	-	-	-	20,978	20,978
Other	594,593	-	-	-	7,697	602,290
Capital Outlay	39,154	98,958	-	39,141	4,128,528	4,305,781
Debt Service:						
Principal Retirements	-	-	-	-	2,901,743	2,901,743
Interest and Fiscal Charges	-	-	-	-	146,903	146,903
<i>Total Cash Disbursements</i>	<u>10,889,887</u>	<u>5,725,569</u>	<u>7,433,934</u>	<u>4,033,420</u>	<u>16,505,179</u>	<u>44,587,989</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>2,721,727</u>	<u>924,461</u>	<u>(477,695)</u>	<u>189,217</u>	<u>(7,097,736)</u>	<u>(3,740,026)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	159,090	17,000	-	100,000	3,586,753	3,862,843
Advances In	-	-	-	-	437	437
Proceeds from Sale of Notes	-	-	-	-	2,248,294	2,248,294
Proceeds from Lease Financing Agreement	-	-	-	-	820,522	820,522
Proceeds from Sale of Assets	299,815	-	-	-	-	299,815
Transfers Out	(3,112,781)	-	(5,757)	(227,629)	(516,676)	(3,862,843)
Advances Out	(437)	-	-	-	-	(437)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,654,313)</u>	<u>17,000</u>	<u>(5,757)</u>	<u>(127,629)</u>	<u>6,139,330</u>	<u>3,368,631</u>
<i>Net Change in Fund Cash Balances</i>	<u>67,414</u>	<u>941,461</u>	<u>(483,452)</u>	<u>61,588</u>	<u>(958,406)</u>	<u>(371,395)</u>
<i>Cash Basis Fund Balances at Beginning of Year</i>	<u>1,152,581</u>	<u>2,693,656</u>	<u>573,335</u>	<u>619,303</u>	<u>4,899,237</u>	<u>9,938,112</u>
<i>Cash Basis Fund Balances at End of Year</i>	<u>\$ 1,219,995</u>	<u>\$ 3,635,117</u>	<u>\$ 89,883</u>	<u>\$ 680,891</u>	<u>\$ 3,940,831</u>	<u>\$ 9,566,717</u>
CASH BASIS ASSETS AT END OF YEAR						
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,219,995</u>	<u>\$ 3,635,117</u>	<u>\$ 89,883</u>	<u>\$ 680,891</u>	<u>\$ 3,940,831</u>	<u>\$ 9,566,717</u>
<i>Total Assets</i>	<u>\$ 1,219,995</u>	<u>\$ 3,635,117</u>	<u>\$ 89,883</u>	<u>\$ 680,891</u>	<u>\$ 3,940,831</u>	<u>\$ 9,566,717</u>
CASH FUND BALANCES AT YEAR END						
Reserved for Encumbrances	\$ 64,016	\$ 6,912	\$ 46,023	\$ 169,351	\$ 205,539	\$ 491,841
Unreserved, Undesignated Report In:						
General Fund	1,155,979	-	-	-	-	1,155,979
Special Revenue Funds	-	3,628,205	43,860	511,540	3,290,333	7,473,938
Debt Service Funds	-	-	-	-	110,206	110,206
Capital Projects Funds	-	-	-	-	334,753	334,753
<i>Total Cash Basis Fund Balances</i>	<u>\$ 1,219,995</u>	<u>\$ 3,635,117</u>	<u>\$ 89,883</u>	<u>\$ 680,891</u>	<u>\$ 3,940,831</u>	<u>\$ 9,566,717</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
RECEIPTS				
Property Taxes	\$ 2,427,940	\$ 2,376,840	\$ 2,376,840	\$ -
Sales Taxes	6,363,423	7,284,395	7,284,395	-
Payments in Lieu of Taxes	124,526	142,549	142,549	-
Charges for Services	1,164,151	1,332,637	1,332,637	-
Licenses and Permits	3,652	4,181	4,181	-
Fines and Forfeitures	315,282	360,913	360,913	-
Intergovernmental	1,344,764	1,539,391	1,539,391	-
Interest	168,426	192,802	192,802	-
Other	330,127	377,906	377,906	-
<i>Total Receipts</i>	<u>12,242,291</u>	<u>13,611,614</u>	<u>13,611,614</u>	<u>-</u>
DISBURSEMENTS				
Current:				
General Government:				
Legislative and Executive	2,952,703	3,204,596	3,182,528	22,068
Judicial	1,763,272	2,609,730	2,609,730	-
Public Safety	4,970,641	3,569,456	3,477,583	91,873
Public Works	562,780	495,584	495,584	-
Health	112,215	216,495	211,712	4,783
Human Services	637,413	337,397	337,397	-
Other	894,926	595,295	595,295	-
Capital Outlay	30,000	44,074	44,074	-
<i>Total Disbursements</i>	<u>11,923,950</u>	<u>11,072,627</u>	<u>10,953,903</u>	<u>118,724</u>
Excess of Receipts Over Disbursements	<u>318,341</u>	<u>2,538,987</u>	<u>2,657,711</u>	<u>118,724</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	159,090	159,090	159,090	-
Proceeds from Sale of Capital Assets	299,815	299,815	299,815	-
Transfers Out	(1,380,563)	(3,112,781)	(3,112,781)	-
Advances Out	(437)	(437)	(437)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(922,095)</u>	<u>(2,654,313)</u>	<u>(2,654,313)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>(603,754)</u>	<u>(115,326)</u>	<u>3,398</u>	<u>118,724</u>
<i>Fund Balance at Beginning of Year</i>	1,050,809	1,050,809	1,050,809	-
<i>Prior Year Encumbrances Appropriated</i>	<u>101,772</u>	<u>101,772</u>	<u>101,772</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 548,827</u>	<u>\$ 1,037,255</u>	<u>\$ 1,155,979</u>	<u>\$ 118,724</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
RECEIPTS				
Property Taxes	\$ 1,446,674	\$ 1,754,591	\$ 1,754,591	\$ -
Payments in Lieu of Taxes	1,893	2,296	2,296	-
Charges for Services	496,677	506,996	506,996	-
Intergovernmental	3,306,868	4,106,115	4,106,115	-
Interest	31,932	38,728	38,728	-
Other	198,956	241,304	241,304	-
<i>Total Receipts</i>	<u>5,483,000</u>	<u>6,650,030</u>	<u>6,650,030</u>	<u>-</u>
DISBURSEMENTS				
Current:				
Health	5,902,051	5,941,108	5,628,678	312,430
Capital Outlay	34,000	105,000	103,803	1,197
<i>Total Disbursements</i>	<u>5,936,051</u>	<u>6,046,108</u>	<u>5,732,481</u>	<u>313,627</u>
Excess of Revenues Over (Under) Expenditures	<u>(453,051)</u>	<u>603,922</u>	<u>917,549</u>	<u>313,627</u>
OTHER FINANCING SOURCES AND (USES):				
Transfers In	17,000	17,000	17,000	-
Total Other Financing Sources and (Uses)	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(436,051)	620,922	934,549	313,627
<i>Fund Balance at Beginning of Year</i>	2,688,704	2,688,704	2,688,704	-
<i>Prior Year Encumbrances Appropriated</i>	4,952	4,952	4,952	-
<i>Fund Balance at End of Year</i>	<u>\$ 2,257,605</u>	<u>\$ 3,314,578</u>	<u>\$ 3,628,205</u>	<u>\$ 313,627</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
RECEIPTS				
Charges for Services	\$ 730,846	\$ 730,846	\$ 730,846	\$ -
Intergovernmental	10,989,794	6,216,881	6,216,881	-
Other	14,360	8,512	8,512	-
<i>Total Receipts</i>	<u>11,735,000</u>	<u>6,956,239</u>	<u>6,956,239</u>	<u>-</u>
DISBURSEMENTS				
Current:				
Human Services	11,796,103	7,479,957	7,479,957	-
<i>Total Disbursements</i>	<u>11,796,103</u>	<u>7,479,957</u>	<u>7,479,957</u>	<u>-</u>
Excess of Receipts Under Disbursements	<u>(61,103)</u>	<u>(523,718)</u>	<u>(523,718)</u>	<u>-</u>
OTHER FINANCING USES				
Transfers Out	(5,757)	(5,757)	(5,757)	-
<i>Total Other Financing Uses</i>	<u>(5,757)</u>	<u>(5,757)</u>	<u>(5,757)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(66,860)	(529,475)	(529,475)	-
<i>Fund Balance at Beginning of Year</i>	512,232	512,232	512,232	-
<i>Prior Year Encumbrances Appropriated</i>	<u>61,103</u>	<u>61,103</u>	<u>61,103</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 506,475</u>	<u>\$ 43,860</u>	<u>\$ 43,860</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
RECEIPTS				
Fines and Forfeitures	\$ 23,311	\$ 23,161	\$ 23,161	\$ -
Intergovernmental	4,204,678	4,177,607	4,177,607	-
Interest	9,113	9,054	9,054	-
Other	12,898	12,815	12,815	-
<i>Total Receipts</i>	<u>4,250,000</u>	<u>4,222,637</u>	<u>4,222,637</u>	<u>-</u>
DISBURSEMENTS				
Current:				
Public Works	4,853,068	4,395,645	4,157,094	238,551
Capital Outlay	-	80,713	45,677	35,036
<i>Total Disbursements</i>	<u>4,853,068</u>	<u>4,476,358</u>	<u>4,202,771</u>	<u>273,587</u>
Excess of Receipts Over (Under) Disbursements	<u>(603,068)</u>	<u>(253,721)</u>	<u>19,866</u>	<u>273,587</u>
OTHER FINANCING SOURCES AND (USES):				
Transfers In	100,000	100,000	100,000	-
Transfers Out	-	(227,629)	(227,629)	-
Total Other Financing Sources and (Uses)	<u>100,000</u>	<u>(127,629)</u>	<u>(127,629)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(503,068)	(381,350)	(107,763)	273,587
<i>Fund Balance at Beginning of Year</i>	146,236	146,236	146,236	-
<i>Prior Year Encumbrances Appropriated</i>	473,067	473,067	473,067	-
<i>Fund Balance at End of Year</i>	<u>\$ 116,235</u>	<u>\$ 237,953</u>	<u>\$ 511,540</u>	<u>\$ 273,587</u>

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

Lawrence County
*Statement of Cash Basis Assets and Net Cash Assets and Cash Receipts,
Cash Disbursements and Changes in Net Cash Assets
Proprietary Funds - Cash Basis
As of and For the Year Ended December 31, 2010*

	<u>Union-Rome Sewer Fund</u>
OPERATING CASH RECEIPTS	
Charges for Services	\$ 2,020,485
<i>Total Operating Cash Receipts</i>	<u>2,020,485</u>
OPERATING CASH DISBURSEMENTS	
Salaries and Benefits	1,103,514
Contractual Services	1,036,683
Materials and Supplies	109,238
Capital Outlay	3,564,084
Other	<u>312,502</u>
<i>Total Operating Cash Disbursements</i>	<u>6,126,021</u>
Excess of Operating Cash Receipts Under Operating Cash Disbursements	(4,105,536)
NON-OPERATING CASH RECEIPTS (CASH DISBURSEMENTS)	
Proceeds from OWDA Loan	3,802,663
Interest and Fiscal Charges	(62,687)
Principal Retirement	<u>(2,386,810)</u>
<i>Total Non-Operating Cash Receipts (Cash Disbursements)</i>	<u>1,353,166</u>
Cash Receipts Over (Under) Cash Disbursements Before Capital Contributions	(2,752,370)
Capital Grants and Contributions	<u>1,843,163</u>
<i>Change in Net Cash Assets</i>	(909,207)
<i>Net Cash Assets at Beginning of Year</i>	<u>1,643,613</u>
<i>Net Cash Assets at End of Year</i>	<u><u>\$ 734,406</u></u>
CASH BASIS ASSETS AT END OF YEAR	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$ 734,406</u></u>
NET CASH ASSETS AT END OF YEAR	
Unrestricted	<u><u>\$ 734,406</u></u>

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

Lawrence County
Statement of Fiduciary Net Assets - Cash Basis
As of December 31, 2010

	<u>Agency Funds</u>
ASSETS	
Equity Pooled in Cash and Cash Equivalents	\$ 3,136,050
Cash and Cash Equivalents in Segregated Accounts	<u>1,159,438</u>
<i>Total Assets</i>	<u><u>\$ 4,295,488</u></u>
Net Cash Assets	<u><u>\$ 4,295,488</u></u>

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

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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
Southeast Ohio Emergency Medical Services
Ironton-Lawrence County Community Action Organization
The KYOVA Interstate Planning Commission
Ohio Valley Regional Development Commission
Ohio Valley Resource Conservation and Development Area, Inc.

The County is involved in the following organizations that are defined as public entity shared risk pools. Additional information concerning the public entity shared risk pools is presented in note 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 required to be accounted for in another fund. The General Fund is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Board of Developmental Disabilities Special Revenue Fund

This fund accounts for various federal and state grants and a property tax levy used to provide assistance and training to developmentally disabled individuals.

Job and Family Services Special Revenue Fund

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

Motor Vehicle Gasoline Tax Special Revenue Fund

This fund accounts for monies received from state gasoline tax and motor vehicle registration fees designated for maintenance and repair of roads and bridges.

The other governmental funds of the County account for grants and other resources, debt service, and capital projects, whose use is restricted to a particular purpose.

Proprietary Funds

The proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. Enterprise funds are the County's only proprietary fund type. The following is the County's major proprietary fund:

Union-Rome Sewer Fund

The Union-Rome Sewer Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered through user charges. The County's Union-Rome Sewer Fund accounts for wastewater treatment services for the County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The County's only fiduciary funds are agency funds.

Agency Funds

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

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

Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets-cash basis presents the cash basis financial condition of the governmental and the business-type activities of the County at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the County's governmental and business-type activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the County. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general cash receipts of the County.

The government-wide financial statements also display information regarding three legally separate entities, or component units, for which the County is fiscally responsible. These three component units are Tri-State Industries, Inc., Choices, Inc., and the Lawrence County Port Authority and are described further in note 1 to the basic financial statements.

Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the County chooses to prepare its financial statements and notes on the cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

For comparability purposes, the component units' financial information has been presented on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

Cash Receipts – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a cash basis, receipts from property taxes are recognized in the year in which the taxes are received. Receipts from grants, entitlements and donations are also recognized in the year in which the monies have been received.

Cash Disbursements

On the cash basis of accounting, disbursements are recognized at the time payments are made.

Budgetary Process

Budget

In accordance with Section 5747.53 of the Ohio Revised Code, the County Budget Commission has provided for the apportionment of undivided local government funds under an alternative method that has been approved by governmental subdivisions within the County. Under this alternative method, the County Budget Commission has waived the requirement for the Taxing Authority of a subdivision to adopt a tax budget.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process (Continued)

Estimated Resources

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources that states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the County must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1 unencumbered fund balances. However, those fund balances are available for appropriation.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the County Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The original budget figures that appear in the statements of budgetary comparison represent the first appropriation measure that covered the entire fiscal year. The final budget figures that appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

Fund Balance Reserves

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of the total of fund cash balances of all funds as of December 31, 2010. 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 2010, interest receipts amounted to \$242,826 in which \$192,802 was recorded in the General Fund; \$38,728 was recorded in the Board of Developmental Disabilities Special Revenue Fund; \$9,054 was recorded in the Motor Vehicle Gasoline Tax Special Revenue Fund; and \$2,242 was recorded in All Other Governmental Funds.

Capital Assets and Depreciation

Capital assets (fixed assets) acquired or constructed for the County are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting, capital assets and the related depreciation are not reported separately on the basic financial statements.

Compensated Absences

Vacation and sick leave benefits are not accrued under the cash basis of accounting as previously described. All leave will either be absorbed by time off from work or, within certain limitations, be paid to the employees.

Long-Term Obligations

In general, bonds, long-term loans, and capital leases are recorded as cash disbursements in the basic financial statements when paid and are not accrued as liabilities.

Operating Cash Receipts and Cash Disbursements

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

Net Cash Assets

Net cash assets represent the County's cash and investment balance at year-end. Net cash assets consist of cash receipts reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for other purposes is comprised of net assets restricted for grants. The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Of the County's \$8,346,722 of restricted net assets, none is restricted by enabling legislation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

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

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;
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;

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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

A. Primary Government (Continued)

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.

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.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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

A. Primary Government (Continued)

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 \$15,756,982 was either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner as described above.

B. Component Units

At year-end, the carrying amount of Tri-State Industries' deposits was \$110,586. The entire amount was covered by federal deposit insurance.

At year-end, the carrying amount of Choices, Inc.'s deposits was \$83,510. The entire amount was covered by federal deposit insurance.

At year-end, the carrying amount of the Lawrence County Port Authority's deposits was \$161,925. The entire amount was covered by federal depository insurance.

NOTE 4- BUDGETARY BASIS FUND BALANCES

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

	General Fund	Board of Developmental Disabilities	Job and Family Services	Motor Vehicle Gasoline Tax
Budgetary Basis Fund Balances	\$1,155,979	\$3,628,205	\$43,860	\$511,540
Encumbrances	64,016	6,912	46,023	169,351
Fund Cash Balances	\$1,219,995	\$3,635,117	\$89,883	\$680,891

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 5 - PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2010 for real and public utility property taxes represents collection of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) is for 2010 taxes.

2010 real property taxes are levied after October 1, 2009 on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are intended to finance 2011.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

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

The assessed value for the taxes levied in 2010 was \$789,641,280 of which real property represented 92 percent (\$727,062,220) of the total and public utility property represented 8 percent (\$62,579,060) of the total. The full tax rate for all County operations for taxes collected in 2010 was \$5.60 per \$1,000 of assessed valuation.

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

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

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

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 6 - RISK MANAGEMENT

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

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

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

<u>Policy Type</u>	<u>Annual/ Aggregate Coverage</u>	<u>Deductible</u>
General Liability	\$1,000,000/\$3,000,000	\$1,000
Public Officials Liability	\$1,000,000/\$3,000,000	\$5,000
Law Enforcement	\$1,000,000/\$3,000,000	\$5,000
Auto Liability	\$1,000,000 per occurrence	\$0
Pollution Liability	\$100,000	\$1,000
All Risk Blanket Property	Building and Contents per Schedule	\$1,000
Flood (Zone A coverage)	\$5,000,000	\$25,000
Extra Expense	\$1,000,000	\$1,000
Personal Property of Others	\$1,000,000	\$1,000
Earthquake	\$5,000,000	\$25,000
Electronic Data Processing Equipment	\$500,000	\$1,000
Blanket Bond	\$250,000	\$0
Elected Officials Bond	Per Bond Schedule	\$0
Boiler and Machinery	\$42,616,570	\$1,000
Inland Marine	\$2,792,615	\$1,000
Auto Comprehensive	Per Schedule	\$100
Auto Collision	Per Schedule	\$250
Employees Benefits Liability	\$1,000,000/\$3,000,000	\$1,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. For 2010, 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 2010 amounted to \$7,284,395 and is recorded in the General Fund.

NOTE 8 - RETIREMENT SYSTEMS

Ohio Public Employees Retirement System

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
 - 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
 - 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

The 2010, 2009, and 2008 member contribution rates were 10.0%, 10.0%, and 10.0%, respectively, for members in state, and local classifications. Public safety and law enforcement members contributed at a rate of 10.5%, 10.1%, and 10.1%, respectively.

The 2010, 2009 and 2008 employer contribution rate for state and local government employers was 14.0%, 14.0%, and 14.0%, respectively, of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rates were 17.87%, 17.63%, and 17.4%, respectively.

The County's contributions to OPERS for the years ended December 31, 2010, 2009, and 2008, were \$2,596,949, \$2,418,643, and \$2,119,391, respectively. 100% has been contributed for 2010, 2009 and 2008.

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, 2010, none of the elected officials had elected social security.

NOTE 8 - RETIREMENT SYSTEMS (Continued)

State Teachers Retirement System

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

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

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

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

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.

NOTE 8 - RETIREMENT SYSTEMS (Continued)

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

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

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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

For the fiscal years ended June 30, 2010, 2009, and 2008, 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, 2010, 2009, and 2008 were \$105,093, \$99,189, and \$97,003, respectively; 100 percent has been contributed for 2010, 2009, and 2008.

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.

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, 2009, and 2008, 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 17.87%, 17.63%, and 17.4%, respectively. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units, and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2010, the employer contributions allocated to the health care plan from January 1 through February 28, 2010 and March 1 through December 31, 2010 were 5.5% and 5.0% respectively. For 2009, the employer contribution allocated to the health care plan was 7.0% for January through March and 5.5% for April through December. For 2008, the percentage was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$942,940, \$1,173,425, and \$1,059,696 for 2010, 2009, and 2008, respectively; 100 percent has been contributed for 2010, 2009, and 2008.
- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1, of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

State Teachers Retirement System

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

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

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

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, 2010, 2009 and 2008. For the County, these amounts equaled \$7,507, \$7,084, and \$6,929, respectively, for fiscal years 2010, 2009, and 2008, respectively; 100 percent has been contributed for 2010, 2009, and 2008.

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 2010 is as follows:

<u>Governmental Long-Term Obligations:</u>	Outstanding 12/31/2009	Additions	Deletions	Outstanding 12/31/2010	Due In One Year
Series 2003 1.9-4.85%					
Office Building Refunding Bonds	\$ 595,000	\$ -	\$ 140,000	\$ 455,000	\$ 145,000
Series 2005B 3.71% Equipment Bond	129,240	-	19,489	109,751	20,267
Real Estate Acquisition 2002 4.02%					
General Obligation Bonds	37,660	-	12,062	25,598	12,547
Series 2006 4.24% Equipment Bond	58,016	-	38,270	19,746	19,746
5.68% County Building Improvement Bond	41,606	-	2,958	38,648	3,042
	<hr/>				
Subtotal General Obligation Bonds	861,522	-	212,779	648,743	200,602
Lease Financing Agreement 2010 5.877%	-	820,522	-	820,522	29,778
OPWC Promissory Note					
1995 0.00%	64,978	-	9,997	54,981	9,997
Total Governmental Long-Term Obligations	<u>\$ 926,500</u>	<u>\$ 820,522</u>	<u>\$ 222,776</u>	<u>\$ 1,524,246</u>	<u>\$ 240,377</u>
	<hr/>				
<u>Union-Rome Sewer Fund Obligations:</u>	Outstanding 12/31/2009	Additions	Deletions	Outstanding 12/31/2010	Due In One Year
Sewer 1998 7.11% OWDA Loan	\$ 109,170	\$ -	\$ 33,742	\$ 75,428	\$ 36,338
Sewer 1998 9.78% OWDA Loan	1,086,029	-	326,681	759,348	361,012
Sewer 2007 3.25% OWDA Loan	23,017,276	1,819,844	-	24,837,120	-
Sewer 1985 2.00% OWDA Loan	306,289	-	101,607	204,682	102,073
OWDA Loan 5423	-	1,110,760	1,110,760	-	-
OWDA Loan 5424	-	872,059	732,403	139,656	-
Subtotal OWDA Loans	<u>24,518,764</u>	<u>3,802,663</u>	<u>2,305,193</u>	<u>26,016,234</u>	<u>499,423</u>
OPWC Promissory Note					
1995 0.00%	469,838	-	54,117	415,721	54,117
OPWC Promissory Note 2009 0.00%	550,000	-	27,500	522,500	27,500
Subtotal Non OWDA	<u>1,019,838</u>	<u>-</u>	<u>81,617</u>	<u>938,221</u>	<u>81,617</u>
	<hr/>				
Total Union-Rome-Sewer Fund Obligations	<u>\$ 25,538,602</u>	<u>\$ 3,802,663</u>	<u>\$ 2,386,810</u>	<u>\$ 26,954,455</u>	<u>\$ 581,040</u>

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 10 - DEBT OBLIGATIONS (Continued)

The human services bond issued in the amount of \$1,340,000 was used to repay notes for the purchase and restoration of an office building for the Department of Human Services. This bond was paid off through the issuance of Series 2003 Office Building Refunding Bonds at a lower interest rate. The Series 2003 Office Building Refunding Bonds will be retired with lease payments made by the County Department of Human Services.

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

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

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

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

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

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

The County received an Ohio Public Works Commission loan in the amount of \$550,000 for wastewater treatment plant improvements. The debt will be paid from sewer charges.

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

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

<u>Year Ending December 31</u>	General Obligation Principal	General Obligation Interest	OPWC Note Principal	Lease Financing Agreement Principal	Lease Financing Agreement Interest
2011	\$200,602	\$25,145	\$9,997	\$29,778	\$48,222
2012	187,255	16,429	9,997	31,528	46,472
2013	185,134	7,532	9,997	33,381	44,619
2014	26,100	2,686	9,997	35,342	42,658
2015	27,103	1,683	9,997	46,419	40,581
2016-2020	18,521	2,179	4,996	276,370	158,630
2021-2025	4,028	114	-	367,704	67,295
Total	\$648,743	\$55,768	\$54,981	\$820,522	\$448,477

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 10 - DEBT OBLIGATIONS (Continued)

The County received four OWDA loans to construct a waste water treatment plant. These loans were issued in the amounts of \$310,890, \$2,854,558, \$1,039,363, and \$1,030,579. The County was awarded a fifth loan with an original principal amount of \$24,564,713. This loan award was amended in 2009 and 2010 and as of December 31, 2010, \$24,837,120 has been drawn, including capitalized interest. During 2009, the County was awarded a sixth and seventh loan with original principal amounts of \$3,953,761 and \$1,445,525, respectively. These loan award amounts have been amended and as of December 31, 2010, \$1,982,819 has been drawn, including capitalized interest. \$1,843,163 has been repaid with ARRA principal forgiveness grants. The remaining debt will be paid from revenues derived by the County from the operation of the Union-Rome Sewer Fund. The sewer system improvement bonds were used for acquiring and installing equipment for the sewer system in the County. The debt will be paid from revenues derived by the County from the operation of the Union-Rome Sewer Fund.

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

Year Ending December 31	OWDA Principal	OWDA Interest	OPWC Loans
2011	\$499,423	\$83,526	\$81,617
2012	540,035	43,731	81,617
2013	-	-	81,617
2014	-	-	81,617
2015	-	-	81,617
2016-2020	-	-	282,636
2021-2025	-	-	137,500
2026-2029	-	-	110,000
	<u>\$1,039,458</u>	<u>\$127,257</u>	<u>\$938,221</u>

The OWDA Planning Loan issued in 2006 was rolled into the new OWDA loan issued in 2007. This project not been fully completed, therefore, the loan amount has not been issued in full and a final payment schedule is not available and is not included in the above payment schedule. The OWDA Union-Rome WWTP Biosolids loan (#5424) has also not yet been completed and therefore an amortization schedule has not yet been completed.

In connection with the OWDA loans, the County has pledged future customer revenues of the Union-Rome Sewer Fund net of specified operating expenses, to repay these loans. The loans are payable, through final maturities, from net revenues applicable to the Union-Rome Sewer Fund. The remaining principal and interest to be paid on the loans in the preceding amortization schedule is \$1,166,715. 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. Total principal on these loans outstanding at December 31, 2010 was \$24,976,776 and interest estimated to be payable on this balance is \$4,181,250. The net revenue available for these loans was (\$541,452) and principal and interest paid was \$524,717. The coverage ratio for the loans was -1.03 for the year ended December 31, 2010.

Conduit Debt The County has Industrial Development Revenue Bonds outstanding in the aggregate principal of \$7,000 at December 31, 2010 for facilities used by private corporations or other entities. The County is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the County's debt presentation. There has not been and is not any condition of default under the bonds or the related financing documents.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 11 - NOTES PAYABLE

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying basic financial statements. However, a summary of the note transactions for the year ended December 31, 2010, follows:

		Outstanding 12/31/09*	Issued	Retired	Outstanding 12/31/10	Due Within One Year
Various Purpose Bond Anticipation Note	3.03%	\$520,000	\$0	\$40,672	\$479,328	\$42,848
County Building Improvement Bond Anticipation Note	3.48%	40,000	35,000	40,000	35,000	35,000
Computer Equip. Note	3.23%	77,296	0	6,046	71,250	6,369
Land Acquisition Note	3.45%	2,172,249	2,072,249	2,172,249	2,072,249	2,072,249
County Road 107 Note	2.78%	100,000	0	100,000	0	0
New Group Home Real Estate Note	3.96%	300,000	141,045	300,000	141,045	141,045
Postage Machine Equipment Note	1.77%	20,000	0	20,000	0	0
Total Notes Payable		\$3,229,545	\$2,248,294	\$2,678,967	\$2,798,872	\$2,297,511

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

The building improvement acquisition bond anticipation note in the amount of \$35,000 was issued in October 2010 and matures on October 2011. On November 19, 2010, the County issued Land Acquisition Bond Anticipation Notes in the amount of \$2,072,249 and matures on November 19, 2011. The various purpose bond anticipation notes in the amount of \$520,000 were issued on May 1, 2010 and amortized over 10 years. The computer equipment acquisition note in the amount of \$77,296 was issued on May 8, 2009 and amortized over 10 years. The County Road 107 bond anticipation note in the amount of \$100,000 was issued on November 9, 2009 and matured November 1, 2010. The New Group Home Real Estate bond anticipation note in the amount of \$300,000 was issued on December 30, 2009 and matured on December 30, 2010. The New Group Home Real Estate Note in the amount of \$141,045 was issued on December 9, 2010 and matures on December 1, 2011. The postage machine equipment bond anticipation note was issued on July 15, 2009 and matured on July 15, 2010. 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 2010.

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Southeast Ohio Emergency Medical Services (EMS)

The EMS was organized to provide emergency medical services to four counties in southeast Ohio. A twelve member board of directors governs the service. Each county appoints three members to the Board of Directors, upon approval of the current board members. The Board of Directors, in conjunction with the finance director, budget and approve expenditures, retain responsibility for surpluses and deficits, and are responsible for any debt incurred. The EMS is not dependent upon Lawrence County for its continued existence, and the County does not maintain an equity interest. In 2010, the County paid \$1,215,456 to the EMS which primarily represents services provided to the County. As of January 1, 2011, the Southeast Ohio Emergency Medical Services ceased operations and the County has started its own EMS service.

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 2010, the County paid the CAO \$1,590,300 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 2010, the County made \$14,821 in contributions to the Commission.

Ohio Valley Regional Development Commission

The Ohio Valley Regional Development Commission is a jointly governed organization that serves a twelve county economic development planning district in southern Ohio. The Commission was formed to influence favorably the future economic, physical and social development of Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton Counties. Membership is comprised of elected and appointed county, municipal and township officials or their officially appointed designees, as well as members of the private sector, community action agencies and regional planning commissions. The Commission is not dependent upon Lawrence County for its existence. In 2010, the County made \$10,644 in contributions to the Commission.

Ohio Valley Resource Conservation and Development Area, Inc.

The Ohio Valley Resource Conservation and Development Area, Inc. is a jointly governed organization that is operated as a non-profit corporation. The Ohio Valley Resource Conservation and Development Area, Inc. was created to aid regional planning to participating counties. Scioto County, along with Ross, Vinton, Highland, Brown, Adams, Pike, Jackson, Gallia, and Lawrence Counties each appoint three members to the thirty member Council. The Council selects an administrator to oversee operations. The Ohio Valley Resource Conservation and Development Area, Inc. received a contribution from the County of \$500 during 2010.

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 2010, Lawrence County paid \$252,915 to the Council for basic insurance coverage and claims.

County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at the meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year and each elected member shall be a County Commissioner.

NOTE 14 - JOINT VENTURE

The Scioto-Lawrence Counties Joint Solid Waste District

The Scioto-Lawrence Counties Joint Solid Waste District is jointly operated by Scioto and Lawrence Counties for the purpose of making disposal of waste in the two-county area more comprehensive in terms of recycling, incinerating and landfill. The Board of Directors consists of nine members, including one County Commissioner from each County. Lawrence County maintained the financial records pertaining to the District in 2010.

Lawrence County contributed \$288,415 to the District during 2010. The Joint Venture was funded by Special Assessment monies collected. Continued existence of the District is dependent upon the County's continued participation; however, the County does not have an equity interest in the District. The District is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit to or burden on the County. The financial activity of the District is presented as an agency fund due to the County serving as fiscal agent.

NOTE 15 - RELATED ORGANIZATION

Briggs-Lawrence County Public Library

The Briggs-Lawrence County Public Library is statutorily created as a separate and distinct political subdivision of the State. The Library is governed by a six member Board of Trustees appointed by the Judge of the Court of Common Pleas. While the County Budget Commission approves the budget and any tax levies the Library desires to place on the ballot, these are ministerial functions. The Trustees adopt their own appropriations, hire and fire their own staff, authorize the Library expenditures and do not rely on the County to finance deficits.

NOTE 16 - CONTINGENT LIABILITIES

A. Primary Government

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

At December 31, 2010, 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 2010, these contributions were \$782,139.

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 2010, these contributions were \$114,568.

Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 18-INTERFUND ACTIVITY

Advances

The General Fund advanced \$437 to the VAWA Nonmajor Special Revenue Fund in anticipation of intergovernmental receipts.

Transfers

	Transfers In	Transfers Out
General Fund	\$159,090	\$3,112,781
Board of Developmental Disabilities	17,000	-
Job and Family Services	-	5,757
Motor Vehicle Gasoline Tax	100,000	227,629
Other Governmental Funds	3,586,753	516,676
Total	\$3,862,843	\$3,862,843

Transfers are used to move revenues from the fund that collects them in accordance with statute or budget to the fund that is required to expend them in accordance with statute or budget; to segregate money for anticipated capital projects; to provide resources for current operations; or to service debt. Transfers into the General Fund were for allowable transfers from the Law Library Fund, Cops Tech Fund, and the Clerk of Courts Title Fund. Transfers from other governmental funds to other governmental funds were for debt service. Transfers from the Motor Vehicle Gasoline Tax Fund were for the County to recover a portion of Issue II projects.

NOTE 19-COMPLIANCE

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

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

NOTE 20-SUBSEQUENT EVENTS

On January 4, 2011, the County issued revenue anticipation notes in the amount of \$600,000 for the purpose of providing general operating funds for the County to operate an emergency medical service.

On January 21, 2011, the County entered into a lease agreement in the amount of \$81,250 for the purpose of obtaining vehicles for the Sheriff's department.

On March 17, 2011, the County issued bond anticipation notes in the amount of \$40,000 for the purpose of paying the County's share of making improvements to North Huntington Heights Road in the Village of Chesapeake.

On April 7, 2011, the County issued bond anticipation notes in the amount of \$182,000 for the purpose of purchasing two ambulances.

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

NOTE 20-SUBSEQUENT EVENTS (Continued)

In September 2011, the County issued a one-year note in the amount of \$3,000,000 for the purpose of providing funds for repairs or other work to be performed by the Engineer's office related to flooding that occurred within the County.

Lawrence County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2010

Federal Grantor Pass-Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
United States Department of Agriculture				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	05PU	10.553	\$10,537	\$0
National School Lunch Program	LLP4	10.555	18,161	4,325
Total Nutrition Cluster			28,698	4,325
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - ARRA	G-1011-11-5064	10.561	36,214	0
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1011-11-5064	10.561	472,531	0
			508,745	0
Total United States Department of Agriculture			537,443	4,325
United States Department of Housing and Urban Development				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-E-08-040-1	14.228	174,900	0
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-F-09-040-1	14.228	87,175	0
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-F-08-040-1	14.228	110,748	0
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-F-07-040-1	14.228	3,425	0
Total United States Department of Housing and Urban Development			376,248	0
United States Department of Justice				
<i>Passed through the State of Ohio Office of Criminal Justice Services:</i>				
Crime Victim Assistance:				
Crime Victim Assistance	2011VAGENE051	16.575	18,003	0
Crime Victim Assistance	2010VAGENE051	16.575	48,866	0
			66,869	
<i>Passed through the State of Ohio Attorney General:</i>				
Crime Victim Assistance	2009VAGENE828X	16.575	27,251	0
Total Crime Victim Assistance			94,120	0
Violence Against Women Formula Grants - ARRA	2009-AR-VA5-1252	16.588	35,032	0
Public Safety Partnership and Community Policing Grants - ARRA	2008-CKWX-0798	16.710	24,210	0
Edward Byrne Memorial Justice Assistance Grant Program:				
Drug/Major Crimes Task Force	2009-JG-A01-6284	16.738	67,361	0
Drug/Major Crimes Task Force	2009-RA-LLE-2317	16.738	20,000	0
Total Edward Byrne Memorial Justice Assistance Grant Program			87,361	0
Edward Byrne Memorial Justice Assistance Grant (JAG) Program - Grants to Units of Local Government - ARRA	2009-RA-B01-2021	16.803	51,207	0
Total United States Department of Justice			291,930	0
United States Department of Labor				
<i>Passed Through Montgomery County Department of Job and Family Services:</i>				
Workforce Investment Act (WIA) Cluster:				
WIA Youth Activities	N/A	17.259	939,335	0
WIA Youth Activities - ARRA	N/A	17.259	263,167	0
WIA Adult Program	N/A	17.258	1,001,472	0
WIA Adult Program - ARRA	N/A	17.258	110,744	0
WIA Dislocated Workers	N/A	17.260	327,882	0
WIA Dislocated Workers - ARRA	N/A	17.260	213,005	0
Total Workforce Investment Act (WIA) Cluster:			2,855,605	0
Unemployment Insurance - ARRA	N/A	17.225	159,496	0
Total United States Department of Labor			3,015,101	0
United States Department of Transportation				
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction	N/A	20.205	240	0
Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	20.703	4,898	0
Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	20.703	9,530	0
			14,428	0
Total United States Department of Transportation			14,668	0

(continued)

Lawrence County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2010

Federal Grantor Pass-Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
United States Department of Education				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education_Grants to States	3MD0	84.027	\$68,374	\$0
Special Education_Preschool Grants	3C50	84.173	65,838	0
Special Education Part B, IDEA - ARRA	3DJ0	84.391	71,412	0
Early Childhood Special Education, IDEA - ARRA	3DL0	84.392	85,057	0
Total Special Education Cluster			290,681	0
Total United States Department of Education			290,681	0
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	29,602	0
Targeted Case Management - eFMAP				
	N/A	93.778	78,667	0
Targeted Case Management - MAC Payments				
	N/A	93.778	69,690	0
Total Medical Assistance Program			148,357	0
<i>Passed Through Ohio Department of Job and Family Services:</i>				
Temporary Assistance for Needy Families				
	G-1011-11-5064	93.558	2,717,843	0
Temporary Assistance for Needy Families - ARRA				
		93.714	246,106	0
Total Temporary Assistance for Needy Families			2,963,949	0
Promoting Safe and Stable Families				
	G-1011-11-5064	93.556	5,109	0
Child Support Enforcement				
	G-1011-11-5064	93.563	329,016	0
Child Support Enforcement - ARRA				
	G-1011-11-5064	93.563	326,446	0
Total Child Support Enforcement			655,462	0
Foster Care-Title IV-E-ARRA				
	G-1011-11-5064	93.658	18,630	0
Foster Care-Title IV-E-Maintenance				
	G-1011-11-5064	93.658	204,306	0
Total Foster Care-Title IV-E			222,936	0
Child Welfare Services				
	G-1011-11-5064	93.645	17,792	0
Adoption Assistance				
	G-1011-11-5064	93.659	1,275	0
Social Services Block Grant				
	G-1011-11-5064	93.667	935,472	0
Chafee Foster Care Independence Program				
	G-1011-11-5064	93.674	2,600	0
Medical Assistance Program				
	G-1011-11-5064	93.778	865,123	0
Child Care Development Fund Cluster:				
Child Care and Development Block Grant				
	G-1011-11-5064	93.575	21,502	0
Child Care Mandatory and Matching Funds of the Child Care and Development Fund				
	G-1011-11-5064	93.596	271,232	0
Total Child Care Development Fund Cluster			292,734	0
Total United States Department of Health and Human Services			6,140,411	0
United States Election Assistance Commission (EAC)				
<i>Passed Through Ohio Secretary of State:</i>				
Help America Vote Act				
	N/A	90.401	2,257	0
Total United States Election Assistance Commission (EAC)			2,257	0
United States Department of Homeland Security				
<i>Passed Through Ohio Emergency Management Agency:</i>				
Hazard Mitigation Grant				
	N/A	97.039	179,611	0
Emergency Management Performance Grants				
	2008-EM-E8-0002	97.042	34,891	0
Homeland Security Programs:				
FY08 Homeland Security Program				
	N/A	97.067	878	0
FY 07 Homeland Security Program				
	N/A	97.067	94,412	0
Total State Homeland Security Program			95,290	0
Total United States Department of Homeland Security			309,792	0
Total Federal Awards Expenditures			\$10,978,531	\$4,325

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, 2010

Note 1 – Significant Accounting Policies

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

Note 2 – Subrecipients

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

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

Note 3 – Community Development Block Grant Program

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

These loans are collateralized by mortgages on the property. At December 31, 2010, 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.

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

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

We have audited the financial statements the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lawrence County, Ohio (the County) as of and for the year ended December 31, 2010, and have issued our report thereon dated September 29, 2011, wherein we noted the County followed the cash basis of accounting rather than accounting principles generally accepted in the United States of America. We did not audit the financial statements of Tri-State Industries, Inc., Choices Inc., or the Lawrence County Port Authority, which are included as discrete presentations in the County's basic financial statements. These financial statements were audited by other auditors whose report thereon have been furnished to us and our opinion insofar as it relates to the amounts for Tri-State Industries, Inc., Choices Inc., and the Lawrence County Port Authority are solely based on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting: finding 2010-2. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-3.

We noted certain matters that we reported to management of the County in a separate letter dated September 29, 2011.

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

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



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

September 29, 2011

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

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

Compliance

We have audited Lawrence County's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2010. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Lawrence County

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

Page 2

Internal Control Over Compliance (Continued)

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

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

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



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

September 29, 2011

Lawrence County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2010

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>		
Type of financial statement opinion:		Unqualified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?		Yes
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:		Unqualified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		No
Identification of major program(s):		Workforce Investment Act Cluster (CFDA #17.258, #17.259, and #17.260) Temporary Assistance for Needy Families (CFDA #93.558 and #93.714) Child Support Enforcement (CFDA #93.563)
Dollar threshold used to distinguish between type A and type B programs:		\$329,485
Auditee qualified as low-risk auditee?		No

Lawrence County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2010

Section II – Financial Statement Findings

Finding 2010-1

Noncompliance – Financial Reporting

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

Ohio Administrative Code 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements in accordance with the modified 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.

Finding 2010-2

Significant Deficiency – Internal Control Over Financial Reporting

A monitoring system by the County should be in place to prevent or detect misstatements for the accurate and complete presentation of the County's financial report. Misclassifications were identified within a number of receipt line items within the financial report. Reclassifications were required to fairly present these statements. These misclassifications were a result of compilation errors. The County appears to lack a sufficient monitoring process over financial reporting to ensure that line items properly classified in the financial statements. The County should implement the appropriate monitoring procedures to ensure that financial statements and the schedule of federal awards expenditures are fairly stated.

Client Response:

We will better monitor the compilation of the financial statements.

Lawrence County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2010

Finding 2010-3

Noncompliance – Debt Payments

The County has debt agreements in place for its various debt issuances. Included within each of those debt agreements is a payment schedule that the County must adhere to in order to ensure default does not occur. The County did not pay the following debt issuances timely in accordance with the established debt agreements: OPWC CO712, CO905, CO05A, CO014, and CO06J/CO07J, and OWDA 1364, 1365, and 2767. Noncompliance with debt agreements could result in default and escalation of balances due. The County should review its revenues streams that support these debt issuances and devise a plan for increasing available funds, or implement other procedures to ensure payments are made timely to ensure default does not occur.

Client Response:

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

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

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

Section III – Federal Award Findings and Questioned Costs
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None

Lawrence County
Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)
For the Year Ended December 31, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2009-001	Noncompliance with ORC Section 117.38/OAC Section 117-2-03(B) – Failure to Report on Required Accounting Basis	No	Not Corrected - Reissued as Finding 2010-1

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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
OCTOBER 25, 2011