



**Auditor of State
Betty Montgomery**

LAWRENCE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Cash, Investments and Fund Cash Balances - All Fund Types	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types	5
Combined Statement of Receipts - Budget and Actual - All Budgeted Fund Types	7
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority - All Budgeted Fund Types	8
Notes to the Financial Statements	11
Schedule of Federal Awards Receipts and Expenditures	33
Notes to the Schedule of Federal Awards Expenditures	35
Independent Accountants' Report on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	37
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133	39
Schedule of Findings - <i>OMB Circular A-133 § .505</i>	41
Schedule of Prior Audit Findings - <i>OMB Circular A-133 § .315(b)</i>	50
Corrective Action Plan - <i>OMB Circular A-133 § .315 (c)</i>	51

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Lawrence County
111 South 4th Street
Ironton, Ohio 45638

To the Board of County Commissioners:

We have audited the accompanying financial statements of Lawrence County, Ohio (the County), as of and for the year ended December 31, 2002. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and combined fund cash balances of Lawrence County as of December 31, 2002, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2003, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of County Commissioners and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 30, 2003

LAWRENCE COUNTY
COMBINED STATEMENT OF CASH, INVESTMENTS
AND FUND CASH BALANCES
ALL FUND TYPES
AS OF DECEMBER 31, 2002

Cash	\$ 4,762,665
Investments:	
Repurchase Agreements	<u>8,500,000</u>
Total	<u><u>\$13,262,665</u></u>

CASH BALANCES BY FUND TYPE

Governmental Funds:	
General Fund	\$ 2,238,870
Special Revenue Funds	6,936,922
Debt Service Fund	859,499
Capital Projects Funds	558,764
Proprietary Funds:	
Enterprise Funds	372,791
Fiduciary Funds:	
Expendable Trust Funds	56,451
Agency Funds	<u>2,239,368</u>
Total	<u><u>\$13,262,665</u></u>

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

LAWRENCE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	(Memorandum Only)
Cash Receipts:						
Taxes	\$ 1,750,618	\$ 1,048,825	\$	\$	\$	\$ 2,799,443
Sales Taxes	6,323,603					6,323,603
Charges for Services	1,440,673	1,045,445		55,815		2,541,933
Licenses and Permits	7,588	30,595				38,183
Fines and Forfeitures	455,086	30,449				485,535
Intergovernmental Receipts	1,811,396	19,974,393		743,567		22,529,356
Rent Revenue		53,323	197,166			250,489
Interest Revenue	155,064	35,472	646		649	191,831
All Other Receipts	306,383	809,199		300		1,115,882
Total Cash Receipts	12,250,411	23,027,701	197,812	799,682	649	36,276,255
Cash Disbursements:						
General Government:						
Executive and Legislative	3,740,277	97,939				3,838,216
Judicial	1,627,909	283,983		7,624		1,919,516
Public Safety	2,701,254	2,251,439				4,952,693
Public Works	131,943	3,060,101				3,192,044
Health	1,350,257	5,110,757				6,461,014
Human Services	220,976	13,949,197				14,170,173
Conservation-Recreation		719,983				719,983
Economic Development		59,028				59,028
Transportation		55,337				55,337
Miscellaneous	20,721			1,750		22,471
Capital Outlay		2,000		1,138,903		1,140,903
Debt Service:						
Principal Payment			932,995			932,995
Interest and Fiscal Charges			472,319			472,319
Total Cash Disbursements	9,793,337	25,589,764	1,405,314	1,148,277	-	37,936,692
Excess of Cash Receipts Over/ (Under) Cash Disbursements	2,457,074	(2,562,063)	(1,207,502)	(348,595)	649	(1,660,437)
Other Financing Sources/(Uses):						
Sale of Bonds	208,000	680,000				888,000
Proceeds of Notes	20,000					20,000
Operating Transfers-In	568,687	2,566,207	1,944,015	104,079		5,182,988
Operating Transfers-Out	(2,642,014)	(1,200,888)	(59,000)	(9,616)		(3,911,518)
Operating Advances-In		131,057				131,057
Operating Advances-Out	(53,957)	(77,100)				(131,057)
Total Other Financing Sources/(Uses)	(1,899,284)	2,099,276	1,885,015	94,463	-	2,179,470
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	557,790	(462,787)	677,513	(254,132)	649	519,033
Fund Cash Balances, January 1	1,681,080	7,399,709	181,986	812,896	55,802	10,131,473
Fund Cash Balances, December 31	<u>\$ 2,238,870</u>	<u>\$ 6,936,922</u>	<u>\$ 859,499</u>	<u>\$ 558,764</u>	<u>\$ 56,451</u>	<u>\$ 10,650,506</u>

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

LAWRENCE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$ 1,924,726	\$	\$ 1,924,726
Other Operating Receipts	4,013		4,013
Total Operating Cash Receipts	<u>1,928,739</u>	<u>0</u>	<u>1,928,739</u>
Operating Cash Disbursements:			
Personal Services - Salaries	451,222		451,222
Contract Services	207,043		207,043
Supplies and Materials	116,308		116,308
Capital Outlay	567,713		567,713
Other Operating Disbursements	17,375		17,375
Total Operating Cash Disbursements	<u>1,359,661</u>	<u>0</u>	<u>1,359,661</u>
Operating Income/(Loss)	<u>569,078</u>	<u>0</u>	<u>569,078</u>
Nonoperating Cash Receipts/(Disbursements):			
Sale of Bonds	333,000		333,000
Intergovernmental Receipts	262,068		262,068
Transfers-In	120,242	99,804	220,046
Transfers-Out	(1,491,516)		(1,491,516)
Advances-In		19,500	19,500
Advances-Out		(19,500)	(19,500)
Other Nonoperating Receipts		70,967,098	70,967,098
Other Nonoperating Disbursements		(70,416,414)	(70,416,414)
Total Nonoperating Cash Receipts/ (Disbursements)	<u>(776,206)</u>	<u>650,488</u>	<u>(125,718)</u>
Net Income/(Loss)	(207,128)	650,488	443,360
Fund Cash Balances, January 1	<u>579,919</u>	<u>1,588,880</u>	<u>2,168,799</u>
Fund Cash Balances, December 31	<u>\$ 372,791</u>	<u>\$ 2,239,368</u>	<u>\$ 2,612,159</u>

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

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LAWRENCE COUNTY

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL -
ALL BUDGETED FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$ 12,230,932	\$ 13,047,098	\$ 816,166.00
Special Revenue	25,497,611	26,404,965	907,354
Debt Service	1,374,163	2,141,827	767,664
Capital Projects	155,000	903,761	748,761
Proprietary			
Enterprise	1,722,000	2,644,049	922,049
Fiduciary			
Expendable Trust	2,000	649	(1,351)
Totals (Memorandum Only)	<u>\$ 40,981,706</u>	<u>\$ 45,142,349</u>	<u>\$ 4,160,643</u>

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

LAWRENCE COUNTY

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY
 ALL BUDGETED FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2002**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
Governmental			
General	\$ 147,117	\$ 12,452,707	\$ 12,599,824
Special Revenue	1,703,928	25,590,427	27,294,355
Debt Service		1,464,314	1,464,314
Capital Projects	375	1,284,534	1,284,909
Proprietary			
Enterprise	18,237	2,852,719	2,870,956
Fiduciary			
Expendable Trust			
Totals (Memorandum Only)	<u>\$ 1,869,657</u>	<u>\$ 43,644,701</u>	<u>\$ 45,514,358</u>

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

<u>Disbursements</u>	<u>Encumbrances Outstanding 12/31/2002</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 12,489,308	\$ 110,516	\$ 12,599,824	\$
26,867,752	426,603	27,294,355	
1,464,314		1,464,314	
1,157,893	127,016	1,284,909	
2,851,177	19,779	2,870,956	
<u>\$ 44,830,444</u>	<u>\$ 683,914</u>	<u>\$ 45,514,358</u>	<u>\$</u>

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LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 which 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.

A. Reporting Entity

The County utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Lawrence County, this includes the Board of Mental Retardation and Developmental Disabilities, the Union Rome Sewer District, and all departments and activities that are directly operated by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) The County is able to significantly influence the programs or services performed or provided by the organization; or (2) The County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt or the levying of taxes.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The County has the following component units:

CHOICES, Inc., is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. The organization assists in providing housing for persons with mental retardation or developmental disabilities. The Lawrence County Board of Mental Retardation and Developmental Disabilities (MR/DD) obtains grants to subsidize the purchase of houses for CHOICES, Inc. CHOICES, Inc. then rents the houses to mentally retarded or developmentally disabled tenants. Based on the significant resources provided by the County to CHOICES, Inc. and CHOICES' sole purpose of providing housing to mentally retarded or developmentally disabled persons in Lawrence County, CHOICES, Inc. is a component unit of Lawrence County. CHOICES, Inc. operates on a fiscal year ending June 30. Separately issued financial statements can be obtained from CHOICES, Inc., Coal Grove, Ohio.

Tri-State Industries, Inc., is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. The workshop, under a contractual agreement with the Lawrence County Board of Mental Retardation and Developmental Disabilities (MR/DD) provides sheltered employment for mentally retarded or handicapped adults in Lawrence County. The Lawrence County Board of MR/DD provides the workshop with staff salaries, transportation, equipment(except that used directly in the production of goods or rendering services), staff to administer and supervise training programs, and other funds as necessary for the operation of the workshop. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the retarded and handicapped adults of Lawrence County, the workshop is a component unit of Lawrence County. Tri-State Industries, Inc. operates on a fiscal year ending June 30. Separately issued financial statements can be obtained from Tri-State Industries, Inc., Coal Grove, Ohio.

The following potential component units have been excluded because the County is not financially accountable for these organizations nor are these entities for which the County approves the budget, the issuance of debt, or the levying of taxes.

The Lawrence County Agricultural Society
The Lawrence County Educational Service Center
The Lawrence County Joint Vocational School
The Lawrence County Law Library
The Lawrence County Historical Society
The Lawrence County Extension Service
The Lawrence County Economic Development Corporation
The Lawrence County Domestic Violence Task Force, Inc.
The Lawrence County Council on Aging
The Lawrence County Airpark

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the activity of the following districts and agencies is presented as agency funds within the County's financial statements:

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Lawrence County Soil and Water Conservation District is statutorily created as a separate and distinct political subdivision of the State. The five supervisors of the Soil and Water Conservation District are elected officials authorized to contract and sue on behalf of the District. The Supervisors adopt their own budget, authorize District expenditures, hire and fire staff, and do not rely on the County to finance deficits.

Lawrence County Health District is governed by a five member Board of Health which oversees the operation of the Health District. The Board is appointed by an advisory council comprised of the president of the township trustees, mayors of participating municipalities and one County Commissioner. The Board has sole budgetary authority, and controls surpluses and deficits. The County is not legally obligated for the Health District's debt. Funding is based on a rate per taxable valuation, along with state and federal grants applied for by the District.

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

The County is involved with the following organizations which are defined as jointly governed organizations. Additional financial information concerning the jointly governed organizations is presented in Note 10.

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 which are defined as public entity shared risk pools. Additional information concerning the public entity shared risk pools is presented in Note 11.

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

The County is involved in the following organization which is defined as a joint venture. Additional financial information concerning the joint venture is presented in Note 12.

Scioto-Lawrence Counties Joint Solid Waste District

The County is involved with the following organization which is defined as a related organization. Additional financial information concerning the related organization is presented in Note 13.

Briggs-Lawrence County Public Library

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures 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.

C. Cash and Cash Equivalents

Cash and cash equivalents consist of the total of fund cash balances of all funds as of December 31, 2002. To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. County funds are maintained in several checking accounts as well as invested in certificates of deposit with terms of one to twelve months and a repurchase agreement. Individual fund integrity is maintained through the County's records.

D. Fund Accounting

The County maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

1. Governmental Fund Types:

General Fund

The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds are used to account for proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to disbursements for specified purposes.

LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

1. Governmental Fund Types: (Continued)

Debt Service Fund

This fund is used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest and related costs and special assessment long-term debt principal, interest and related costs.

Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

2. Proprietary Fund Type:

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:

Enterprise Fund

This 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.

3. Fiduciary Fund Types:

These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust Funds and Agency Funds.

Expendable Trust Fund

This fund is accounted for in essentially the same manner as governmental funds.

Agency Funds

These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

1. 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 which 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.

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

3. Appropriations

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

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the County Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications. Prior to year end, the County Commissioners passed appropriations that reflected actual expenditures/expenses for the year.

4. 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 reappropriated.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Fixed assets acquired or constructed for the County are recorded as disbursements. Depreciation is not recorded for these fixed assets.

G. Accumulated Unpaid Vacation and Sick Leave

Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting described in Note 1. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Investments and Fund Cash Balances" as "Cash Balances by Fund Type".

Interim monies can be invested or deposited in the following securities:

- A. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- B. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- C. Written purchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- D. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
- E. Time certificates of deposit or savings or deposit accounts, including, but not limited to passbook accounts;
- F. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,

LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

- G. The State Treasurer's investment pool (STAROhio);
- H. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value:
- I. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio;
- J. Certain Bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
- K. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year-end, the County had \$90,840 in undeposited cash on hand which is included on the Combined Statement of Cash, Investments and Fund Cash Balances as part of Cash.

Deposits: At year-end, the carrying amount of the County's deposits was \$4,671,825, and the bank balance was \$7,332,715.

Of the bank balance:

- A. \$987,290 was covered by federal deposit insurance (FDIC);
- B. \$550,000 was collateralized with securities held by the pledging financial institution's trust department or agent in the County's name;
- C. \$5,563,918 was considered uninsured and uncollateralized even though securities for collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the collateralization of deposits had been followed. Non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.
- D. \$231,507 was unsecured and uncollateralized.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investments:

Category 1 includes investments that are insured or registered for which the securities are held by the County or its agent in the County's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. Deferred Compensation is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 2	Category 3	Carrying and Fair Value
Repurchase Agreement	\$0	\$0	\$8,500,000	\$8,500,000

3. 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 2002 for real and public utility property taxes represents collection of 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) is for 2002 taxes.

2002 real property taxes are levied after October 1, 2002 on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes are intended to finance 2003.

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. 2002 public utility property taxes became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value.

The assessed value for the taxes collected in 2002 was \$636,663,730 of which real property represented 84 percent (\$531,955,900) of the total, public utility property represented 9 percent (\$56,433,230) of the total, and tangible personal property represented 8 percent (\$48,274,600) of the total. The full tax rate for all County operations for taxes collected in 2002, 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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

4. 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 Coverages</u>	<u>Deductible</u>
General Liability	\$2,000,000/\$4,000,000	\$1,000
Property Damage Liability	\$100,000/\$100,000	\$1,000
Public Officials Liability	\$2,000,000/\$4,000,000	\$1,000
Law Enforcement	\$2,000,000/\$4,000,000	\$1,000
Auto Liability	\$2,000,000 per occurrence	\$0
Uninsured Motorists Insurance	\$25,000 per occurrence	\$0
Pollution Liability	\$10,000	\$1,000
All Risk Blanket Property	Building and Contents per Schedule	\$500
Flood (Zone A coverage)	\$10,000,000	\$5,000
Extra Expense	\$1,000,000	\$500
Personal Property of Others	\$100,000	\$500
Earthquake	\$10,000,000	\$25,000
Electronic Data Processing Equipment	\$500,000	\$500
Blanket Bond	\$250,000	\$0
Elected Officials Bond	Per Bond Schedule	\$0
Money and Securities (Food Stamps)	\$500,000	\$500
Boiler and Machinery	\$25,000,000	\$500
Inland Marine	Per Schedule	\$100
Auto Comprehensive	Per Schedule	\$100
Auto Collision	Per Schedule	\$250
Nurse Liability	\$1,000,000	\$1,000
EMT/EMTA – Paramedics	\$1,000,000/\$3,000,000	\$1,000

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

4. RISK MANAGEMENT (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

For 2002, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. (See Note 11) 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.

5. PERMISSIVE SALES AND USE TAX

In February 1983, the tax commissioners adopted by resolution a one percent Permissive Sales and Use Tax, and in April 1999 a one half percent Permissive Sales and Use Tax, as allowed by Sections 5739.02 and 5742.02, Revised Code. Sales and use tax revenue for 2002 amounted to \$6,323,603 and is recorded in the General Fund.

6. RETIREMENT SYSTEMS

Public Employees Retirement System (PERS)

All County employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. Beginning in 2001, HB 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classifications consisted of sheriffs, deputy sheriffs and township police with an employee contribution rate of 10.1 percent. All other members of the PERS law enforcement program were placed in a newly named public safety division and continue to contribute at 9.0 percent. For plan members, other than those classified in the law enforcement or public safety divisions, the County was required to contribute 13.55 percent of covered salary for 2002. The employer contribution rate for both the law enforcement and public safety divisions was 16.70 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's contributions to PERS for all employees for the years ended December 31, 2002, 2001, and 2000, were \$1,914,491, \$1,946,177, and \$924,339, respectively; 100 percent has been contributed for 2002, 2001 and 2000.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

State Teachers Retirement System (STRS)

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salaries. The County was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions to STRS for the years ended December 31, 2002, 2001, and 2000 were \$87,144, \$80,246, and \$31,808, respectively; 100 percent has been contributed for 2002, 2001 and 2000.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose Social Security or the appropriate state system. As of December 31, 2002, none have elected Social Security.

7. POSTEMPLOYMENT BENEFITS

Public Employees Retirement System (PERS)

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an "Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2002 was 13.55 percent of covered payroll for employees not engaged in law enforcement; 5.0 percent was the portion that was used to fund health care. The employer contribution rate for law enforcement employees for 2002 was 16.7 percent; 5.0 percent was used to fund health care.

Benefits are advance-funded using an entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on PERS' latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.0 percent annually.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

7. POSTEMPLOYMENT BENEFITS (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041. The County's contributions for 2002 which were used to fund postemployment benefits were \$620,332. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

Beginning in 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

State Teachers Retirement System

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS.

Benefits are funded on a pay-as-you-go basis. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$28,011 for 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund at June 30, 2001, was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and there were 102,132 eligible benefit recipients.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

8. DEBT OBLIGATIONS

Changes in the County's general long-term obligations during 2002 consist of the following:

General Long-Term Obligations:

	Outstanding <u>12/31/01</u>	Additions	Reductions	Outstanding <u>12/31/02</u>
Limited Tax 1992 5.1% General Obligation Bonds	\$45,000	\$0	\$45,000	\$0
Human Services 1993 4-6.5% General Obligation Bonds	1,370,000	0	80,000	1,290,000
Child Support Enforcement 1995 6.2% General Obligation Bonds	100,000	0	25,000	75,000
Real Estate Assessment 1996 6.25% General Obligation Bonds	120,000	0	120,000	0
Various Purpose Bonds 1999 4.90% General Obligation Bonds	670,000	0	70,000	600,000
Equipment Acquisition 2002 3.03% General Obligation Bonds	0	98,000	0	98,000
Real Estate Acquisition 2002 4.02% General Obligation Bonds	0	110,000	0	110,000
Real Estate Assessment 2002 5% General Obligation Bonds	<u>0</u>	<u>680,000</u>	<u>0</u>	<u>680,000</u>
Subtotal General Obligation Bonds	<u>2,305,000</u>	<u>888,000</u>	<u>340,000</u>	<u>2,853,000</u>
OPWC Promissory Note 1995 0.00%	<u>144,954</u>	<u>0</u>	<u>9,997</u>	<u>134,957</u>
Total General Long-Term Obligations	<u>\$2,449,954</u>	<u>\$888,000</u>	<u>\$349,997</u>	<u>\$2,987,957</u>

Enterprise Fund Obligations:

	Outstanding <u>12/31/01</u>	Additions	Reductions	Outstanding <u>12/31/02</u>
Sewer 1998 7.11% OWDA Loan	\$310,890	\$0	\$19,583	\$291,307
Sewer 1998 9.78% OWDA Loan	2,853,887	0	155,888	2,697,999
Sewer 1998 2.00% OWDA Loan	<u>1,039,363</u>	<u>0</u>	<u>85,410</u>	<u>953,953</u>
Subtotal OWDA Loans	<u>4,204,140</u>	<u>0</u>	<u>260,881</u>	<u>3,943,259</u>
Sewer 1995 0.00% OPWC Promissory Note	<u>902,774</u>	<u>0</u>	<u>54,117</u>	<u>848,657</u>
Sewer System Improvement 2002 4.03%	<u>0</u>	<u>333,000</u>	<u>0</u>	<u>333,000</u>
Subtotal Non OWDA	<u>902,774</u>	<u>333,000</u>	<u>54,117</u>	<u>1,181,657</u>
Total Enterprise Obligations	<u>\$5,106,914</u>	<u>\$ 333,000</u>	<u>\$ 314,998</u>	<u>\$5,124,916</u>

The limited tax general obligation bond was used for various County purposes. The debt will be retired from property taxes levied by the County.

The human services bond was used to repay notes for the purchase and restoration of an office building for the Department of Human Services. This debt is being retired with lease payments made by the County Department of Human Services.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

8. DEBT OBLIGATIONS (Continued)

The child support enforcement bond was used to repay notes from the purchase and restoration of an office building for the Child Support Enforcement Agency. This debt is being retired with lease payments made by the Child Support Enforcement Agency.

The real estate assessment bonds were / are being used to pay for the County's property reappraisal. The debt will be retired from property taxes.

The various purpose bonds were used to pay for gasoline storage tank removal and replacement, equipment and improvement, computer equipment acquisition, and courthouse improvement. The debt will be retired from property taxes.

The equipment acquisition bonds were used to upgrade the County's 911 system.

The real estate acquisition bonds were used to purchase real estate for construction of new County facilities.

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

Annual debt service requirements to maturity for general obligation debt, including interest of \$742,551 are as follow:

Year Ending <u>December 31</u>	General Obligation Bonds	OPWC Note
2003	\$486,555	\$9,997
2004	479,660	9,997
2005	476,998	9,997
2006	449,235	9,997
2007	456,108	9,997
2008-2012	1,092,195	49,984
2013-2018	<u>154,800</u>	<u>34,988</u>
Total	<u>\$3,595,551</u>	<u>\$134,957</u>

The County received three OWDA loans to construct a waste water treatment plant. The debt will be paid from revenues derived by the County from the operation of the waste water enterprise fund.

The County received an Ohio Public Works Commission loan to make improvements on its waste water treatment plant. The debt will be paid from revenues derived by the County from the operation of the waste water enterprise fund.

The sewer system improvement bonds were used for acquiring and installing equipment for the sewer system in the County.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

8. DEBT OBLIGATIONS (Continued)

The Sewer Enterprise Fund debt service requirements to maturity, including \$1,927,398 of interest, are as follow:

<u>Year Ending December 31</u>	<u>OWDA Loans</u>	<u>OPWC Loan</u>	<u>Sewer System Imp. Bonds</u>
2003	\$582,949	\$54,117	\$74,863
2004	582,949	54,117	74,864
2005	582,949	54,117	74,864
2006	582,949	54,117	74,864
2007	582,949	54,117	74,864
2008-2012	2,914,593	270,585	0
2013-2018	<u>0</u>	<u>307,487</u>	<u>0</u>
	<u>\$5,829,338</u>	<u>\$848,657</u>	<u>\$374,319</u>

9. NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2002, follows:

	<u>Outstanding 12/31/01</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 12/31/02</u>	
<u>General Fund:</u>					
Computer Equipment Acquisition	3.60%	\$40,000	\$ 0	\$40,000	\$ 0
Computer Equipment Acquisition	2.55%	0	20,000	0	20,000
911 Equipment Acquisition	2.69%	<u>108,000</u>	<u>0</u>	<u>108,000</u>	<u>0</u>
Total General Fund		\$148,000	\$20,000	\$148,000	\$20,000
<u>Capital Project Funds:</u>					
Real Estate Acquisition	2.75%	<u>\$120,000</u>	<u>\$ 0</u>	<u>\$120,000</u>	<u>\$ 0</u>
Total Capital Project Funds		<u>\$120,000</u>	<u>\$ 0</u>	<u>\$120,000</u>	<u>\$ 0</u>
Total All Funds		<u>\$268,000</u>	<u>\$ 20,000</u>	<u>\$268,000</u>	<u>\$ 20,000</u>

The initial computer equipment acquisition bond anticipation note was issued April 10, 2000 at 5.07%, and was retired on April 4, 2001. On April 12, 2001, the County issued a new bond anticipation note in the amount of \$40,000 which matured April 12, 2002. On April 12, 2002, the County paid for \$20,000 of the note and issued a new bond anticipation note in the amount of \$20,000. It will mature April 11, 2003, at which time the County has the option to pay the note in full or in part, or issue a new note. All bond anticipation notes are backed by the full faith and credit of the County.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

10. JOINTLY GOVERNED ORGANIZATIONS

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

The ADAMH Board is responsible for the delivery of comprehensive mental health and substance abuse services in Adams, Lawrence, and Scioto counties. The Board provides no direct services but contracts for their delivery. The Board's function is to assess needs, and to plan, monitor, fund, and evaluate the services provided. The Board is managed by eighteen members, two appointed by the Commissioners of Adams County; three by the Commissioners of Lawrence County; five by the Commissioners of Scioto County; four by the Ohio Department of Drugs and Alcohol; and four by the Ohio Department of Mental Health. Each participating county's influence is limited to the number of members each appoints to the board. The Board exercises total control of the budgeting, appropriation, contracting, and management.

Revenues are provided by state and federal grants awarded to the multi-county board. Continued existence of the Board is not dependent on the County's continued participation, no debt exists, and the County does not have an equity interest in the Board.

B. 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 2002.

C. 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 2002, the County paid \$1,267,100 to the EMS which primarily represents services provided to the County.

D. Ironton-Lawrence County Community Action Organization

The Ironton-Lawrence County Community Action Organization (CAO) is an IRS 501C3 non-profit organization established to plan, develop, and coordinate programs and services designed to combat problems of poverty and seek the elimination of the conditions of poverty that affect the residents of Lawrence County. The CAO administers Community Development and Litter Control Block Grants for Lawrence County as well as similar grants for the City of Ironton. The CAO Board is comprised of public officials from the County, municipalities, villages, and townships within the County. Other members are representatives of the poor in the area served and officials or members of the private sector of the community. The CAO controls its own operations and budget. In 2002, the County paid the CAO \$1,508,716 for various services which include: provision of workforce investment act services, residential development services, the planning commission, and floodplain management.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

10. JOINTLY GOVERNED ORGANIZATIONS (Continued)

E. The KYOVA Interstate Planning Commission

The KYOVA Interstate Planning Commission was established by joint resolution adopted by the State of West Virginia and Ohio. The objectives and policies of the Commission are prescribed in the West Virginia State Code, Chapter 8, Articles 4C-4 and the Ohio Revised Code, Section 713.30 et seq. Membership is comprised of elected or appointed county and municipal officials or their officially appointed designees as determined by the three county governing bodies of Cabell and Wayne Counties, West Virginia, and Lawrence County, Ohio, and by the governing bodies of the cities of Huntington, West Virginia, and Ironton, Ohio. The Commission is not dependent upon Lawrence County for its continued existence. In 2001, the County made contributions of \$8,344 to the Commission.

F. 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 2002 the County made \$9,991 in contributions to the commission.

G. 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 \$120 during 2002.

11. PUBLIC ENTITY SHARED RISK POOLS

Buckeye Joint-County Self-Insurance Council

The Buckeye Joint-County Self-Insurance Council is a public entity shared risk pool that serves Athens, Hocking, Jackson, Lawrence, Meigs, Monroe, Morgan, Noble, Perry, Pike, Vinton, and Washington counties. The Council was formed as an Ohio non-profit corporation for the purpose of establishing a shared risk pool to provide general liability, law enforcement, professional, and fleet insurance. Member counties provide operating resources to the corporation based on actuarially determined rates. The degree of control exercised by any participating government is limited to its representation on the Board.

The Governing Board is composed of at least one County Commissioner from each of the participating counties. The Governing Board annually elects officers which include a President, Vice President, Second Vice President and two Governing Board Members. The expenditures and investment of funds by the officers must be approved by the Governing Board unless specific limits have been set by the Governing Board to permit otherwise.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

11. PUBLIC ENTITY SHARED RISK POOLS (Continued)

Buckeye Joint-County Self-Insurance Council (Continued)

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 2002, Lawrence County paid \$219,929 to the Council. \$218,929 was paid for basic insurance coverage, and \$1,000 was paid for claims.

County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool.

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at the meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year and each elected member shall be a County Commissioner.

12. 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 landfilling. The Board of Directors consists of nine members, including one County Commissioner from each County. Maintenance of the financial records pertaining to the operation of the Solid Waste District rotates between the two counties every third year. Lawrence County maintained the records in 2002.

Lawrence County contributed \$30,304 to the District during 2002. Continued existence of the District is dependent upon the County's continued participation; however, the County does not have an equity interest in the District. The District is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit or burden on the County. The financial activity of the District is presented as an agency fund due to the County serving as fiscal agent.

LAWRENCE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

13. 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.

14. 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, 2002, 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. or CHOICES, Inc.

15. RELATED PARTY TRANSACTIONS

Tri-State Industries, Inc., a component unit of Lawrence County, received contributions from the County for personal services, craft survey and lease storage space rental. In 2002, these contributions were \$18,330.

CHOICES, Inc., a component unit of Lawrence County, received contributions from the County for rental assistance, grass cutting, state exemption and property purchases. In 2002, these contributions were \$120,225.

16. DISCONTINUED OPERATIONS

The Lawrence County Commissioners elected to discontinue all operations of the Lawrence County General Hospital, dba River Valley Health System (the Hospital), as of January 31, 2001. A receiver was appointed to oversee the finances of the Hospital until all receivables and payables are resolved. Financial information was not available for 2002. By resolution, the County Commissioners approved the sale of the Hospital buildings on April 25, 2002. The proceeds of the sale will be used, in part, to pay the Hospital's liabilities. On March 28, 2002, by resolution, the County Commissioners authorized their attorney to approve an agreement with the U.S. Department of Agriculture regarding the repayment of the bonds owed by the River Valley Health System in the amount of approximately \$3.9 million. The agreement sets up a payment schedule for the receiver to pay on the bonds.

LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)

17. CONTRACTUAL COMMITMENTS

As of December 31, 2002, the County had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Bill Enyart and Sons	DeMaria Street Force Main Replacement – Phase I	\$52,922
General Heating	HVAC Construction	\$46,232

18. SUBSEQUENT EVENTS

In January, 2003, the County guaranteed loan payments of \$500,000 plus interest due from the Lawrence Economic Development Corporation to the Ohio Department of Development, subject to the annual appropriation of County funds.

On February 20, 2003, the Board of County Commissioners approved issuing \$1,340,000 Office Building Refunding Bonds.

On September 25, 2003, the Board of County Commissioners approved the issuance of \$3,500,000 County of Lawrence, Ohio Industrial Development Revenue Refunding Bonds.

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LAWRENCE COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements	Noncash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
Food Donation	N/A	10.550	\$0	\$6,533
National School Breakfast Program	05PU	10.553	18,602	
National School Lunch Program	LLP4	10.555	<u>29,276</u>	
Total Nutrition Cluster			47,878	6,533
<i>Direct Program:</i>				
Solid Waste Management Grant	N/A	10.762	<u>40,000</u>	
Total U.S. Department of Agriculture			87,878	6,533
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grant - Small Cities Program	B-F-00-040-1 B-C-01-040-1 B-F-01-040-1 B-I-01-040-1 B-W-99-040-1	14.228	24,611 118,306 118,956 200,000 <u>46,902</u>	
Total Community Development Block Grant - Small Cities Program			508,775	0
HOME Investment Partnership Program	B-C-01-040-2	14.239	<u>265,837</u>	
Total U.S. Department of Housing and Urban Development			774,612	0
U.S. DEPARTMENT OF JUSTICE				
<i>Direct Program:</i>				
Criminal Justice Block Grant Sheriff Forestry	N/A	16.573	11,150	
Public Safety Partnership and Community Policing Grant (COPS)	N/A	16.710	119,350	
<i>Passed through the Governor's Office of Criminal Justice Services:</i>				
Crime Victims Assistance Grant	02/03VAGENE051	16.575	69,656	
Byrne Formula Grant Program - Lawrence Drug Task Force	DGA01/DGD02	16.579	59,000	
Violence Against Women Formula Grant	WF-VA2-8425/8723	16.588	15,331	
Local Law Enforcement Block Grants Program	LELEB	16.592	<u>2,377</u>	
Total U.S. Department of Justice			276,864	0
FEDERAL EMERGENCY MANAGEMENT AGENCY				
<i>Passed Through Ohio Department of Emergency Management:</i>				
Hazard Mitigation Grant	DR 1164	83.548	27,838	
Emergency Management Performance Grant: Emergency Management Performance Grant - Federal	J732	83.552	14,925	
Terrorism Consequence Management Preparedness Assistance Grant	J733	83.552	<u>1,440</u>	
Total Emergency Management Performance Grant			<u>16,365</u>	0
Total Federal Emergency Management Agency			44,203	0

(Continued)

LAWRENCE COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements	Noncash Disbursements
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education - Grants to States - VIB	6BSF	84.027	55,298	
Special Education - Preschool Grants	PGS1	84.173	<u>21,848</u>	
Total Special Education Cluster			77,146	0
Innovative Education Program Strategies	C2S1	84.298	<u>510</u>	
Total U.S. Department of Education			77,656	0
U.S. DEPARTMENT OF LABOR				
<i>Passed Through Ohio Department of Job and Family Services:</i>				
Workforce Investment Act (WIA) Cluster:				
Workforce Investment Act - Youth	N/A	17.259	306,519	
Workforce Investment Act - Adult	N/A	17.258	171,575	
Workforce Investment Act - Dislocated Worker	N/A	17.260	<u>221,424</u>	
Total Workforce Investment Act (WIA) Cluster:			699,518	0
Workforce Investment Act - National Reserve	N/A	17.246	<u>133,241</u>	
Total U.S. Department of Labor			832,759	0
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
<i>Passed through Ohio Department of Youth Services:</i>				
AmeriCorps - Youth and Communities in Partnership	YCP01502	94.006	<u>18,359</u>	
Total Corporation for National and Community Service			18,359	0
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Direct Program:</i>				
Airport Improvement Program (AIP)	N/A	20.106	<u>32,868</u>	
Total U.S. Department of Transportation			32,868	0
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	N/A	93.104	854	
Social Services Block Grant Title XX	MR 44	93.667	30,371	
Medical Assistance Program-Title XIX	4400017	93.778	<u>427,641</u>	
Total U.S. Department of Health and Human Services			<u>458,866</u>	0
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$2,604,065</u>	<u>\$6,533</u>

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

LAWRENCE COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES DECEMBER 31, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the County's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - 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 A, the County records expenditures of Federal awards to subrecipients when paid in cash.

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities disbursed. Cash receipts from the United States Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At December 31, 2002, the County had no significant food commodities in inventory.

NOTE D – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

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

These loans are collateralized by mortgages on the property. At December 31, 2002, the gross amount of loans outstanding under this program was \$556,417. New loans in the original amount of \$58,300 were made during calendar year 2002.

NOTE E - MATCHING REQUIREMENTS

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

NOTE F – TITLE XIX

The expenditures for this program were determined by using the actual reimbursements received for 2002 billings to determine expenditures made during 2002.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Lawrence County
111 South 4th Street
Ironton, Ohio 45638

To the Board of County Commissioners:

We have audited the accompanying financial statements of Lawrence County, Ohio (the County), as of and for the year ended December 31, 2002, and have issued our report thereon dated September 30, 2003, which noted the County prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated September 30, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that material misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated September 30, 2003.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 30, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Lawrence County
111 South 4th Street
Ironton, Ohio 45638

To the Board of County Commissioners:

Compliance

We have audited the compliance of Lawrence County, Ohio (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2002. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 on the County's compliance with those requirements.

As described in items 2002-007 through 2002-009 in the accompanying Schedule of Findings, the County did not comply with requirements regarding Reporting and Subrecipient Monitoring that are applicable to its Workforce Investment Act Grant, nor did the County comply with requirements regarding Cash Management that are applicable to its Community Development Block Grants. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, which are described in the accompanying Schedule of Findings as Finding 2002-010. We also noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the County in a separate letter dated September 30, 2003.

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Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
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Internal Control over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-006 and 2002-010.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2002-010 to be a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated September 30, 2003.

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



Betty Montgomery
Auditor of State

September 30, 2003

LAWRENCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant, CFDA #14.228 – Small Cities Program Medical Assistance Program – Title XIX, CFDA #93.778 Workforce Investment Act (WIA) Cluster, CFDA #'s 17.258, 17.259 and 17.260
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

LAWRENCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2002
(Continued)

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

Finding Number 2002-001

Noncompliance Citation

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

Ohio Admin. Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepares its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the County prepare its annual financial report in accordance with generally accepted accounting principles.

Finding Number 2002-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) states that no order or contract involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exception to this basic requirement is provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less that \$100 for counties, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures of the taxing authority.

Twenty-eight percent (28%) of the vouchers tested did not contain a certificate of the fiscal officer which was dated prior to the obligation date. Additionally, there were no "Then and Now Certificates" utilized for these expenditures.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2002
(Continued)

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

Finding Number 2002-002 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D) (Continued)

We recommend the County Auditor complete the required certificate prior to incurring any and all obligations of the County or make proper use of the Then and Now Certificates.

Finding Number 2002-003

Noncompliance Citation

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

The Union Rome Sewer Capital Improvement Fund, Issue II Fund and Imminent Threat Fund received receipts in the amount of \$453,000, \$619,602 and \$200,000 respectively which were not estimated per the Amended Official Certificate of Estimated Resources. These amounts were subsequently expended without an increased amended certificate being obtained.

Estimated receipts exceeded actual receipts at December 31, 2002 in the following funds: CSEA Fund (\$104,588); Children's Services Fund (\$225,653); Public Assistance Fund (\$1,885,608); EMS Fund (\$113,635); Farmview Sewer Fund (\$238); and Child Welfare Trust Fund (\$1,351). This could result in overspending if not monitored.

We recommend the County monitor estimated receipts and actual receipts throughout the year and request a reduced amended certificate when it is evident that available resources may be overspent. In addition, we recommend that an increased amended certificate be obtained from the budget commission if the legislative authority intends to appropriate and expend excess revenues.

Finding Number 2002-004

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated resources.

At December 31, 2002, appropriations exceeded estimated resources in the 911 Fund by \$19,407 or 5.5%. Also, at December 31, 2002, appropriations exceeded estimated resources in the Imminent Threat Fund by \$200,000, Union Rome Sewer Capital Improvement Fund by \$312,746 and Issue II Fund by \$619,602 for which there were no estimated resources.

We recommend the County monitor appropriations to ensure the amounts do not exceed the estimated resources for each fund.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2002
(Continued)

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

Finding Number 2002-005

Finding for Recovery

Receipts issued by the Lawrence County Sheriff's Department for monies received from inmates to be deposited into the Lawrence County Jail Inmate Account totaled \$284.99 more than deposits made to that account. This account is maintained by William Winters, Deputy Sheriff and is overseen by Jeff Lawless, Jail Administrator. Ohio Rev. Code Section 9.39 states all "public officials are liable for all public money received or collected by them or by their subordinates under color of office."

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Timothy Sexton, County Sheriff, William Winters, Deputy Sheriff, and Jeff Lawless, Jail Administrator, and the Buckeye Joint-County Self-Insurance Council, their bonding company, jointly and severally, in the amount of two hundred eighty-four dollars and ninety-nine cents (\$284.99), and in favor of the Lawrence County Jail Inmate Account.

3. FINDINGS FOR FEDERAL AWARDS

1. Cash Management

Finding Number	2002-006
CFDA Title and Number	Work Force Investment Act - CFDA# 17.258, 17.259 and 17.260
Federal Award Number/Year	2001- 2002
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

Reportable Condition

The state changed the process by which the county could obtain Workforce Investment Act funding from a quarterly request and monthly advance process to a weekly draw down process in July, 2002. The County is striving to follow the prescribed state system that was updated July, 2002 to allow for compliance with cash management requirements in making disbursements to the Ironton-Lawrence County Community Action Organization which is the subgrantee. Our review of the financial records of the Lawrence County Department of Job and Family Services after implementation of the weekly draw down process in July, 2002 indicated that insufficient funding was received from the state to cover all of the costs of the Workforce Investment Act expenditures, resulting in negative balances during the audit period. Discussions with management revealed that while the County Department of Job and Family Services requested sufficient funding to cover their costs, the state's system did not disburse the requested funding.

We recommend the Lawrence County Department of Job and Family Services continue to utilize the weekly draw process as well as develop realistic estimates of current needs to help ensure compliance with Cash Management requirements.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2002
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

2. Cash Management

Finding Number	2002-007
CFDA Title and Number	Community Development Block Grant – CFDA# 14.228
Federal Award Number/Year	BF-00-040-1, BC-01-040-1, BF-01-040-1, BI-01-040-1, BW-99-040-1, BF-02-040-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Citation

According to the State of Ohio Department of Development, Office of Housing and Community Partnership Management Rules and Regulations Handbook, Section (A) (3) (f), the grantee must develop a cash management system to ensure compliance with the 15 Day Rule relating to prompt disbursement of funds. This rule states that fund draw downs should be limited to amounts that will enable the grantee to disburse funds on hand to a balance of less than \$5,000 within 15 days of receipt of any funds. Lump sum drawdowns are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the 15 Day Rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days.

Drawdowns were not expended within 15 days to a fund balance of less than \$5,000 for ten out of fourteen drawdowns of grant funding received during the audit period. Disbursements were made up to several months after the 15 day limitation had expired resulting in noncompliance.

We recommend that drawdowns be monitored to ensure that funds are expended within 15 days of receipt.

3. Reporting

Finding Number	2002-008
CFDA Title and Number	Work Force Investment Act - CFDA# 17.258, 17.259 and 17.260
Federal Award Number/Year	2001- 2002
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

Noncompliance Citation

Section 185 (e) of the Workforce Investment Act (WIA) requires each local board in the State to submit quarterly financial reports to the Governor with respect to programs and activities carried out under this title. Such reports shall include information identifying all program and activity costs by cost category in accordance with generally accepted accounting principles and by year of the appropriation involved.

20 C.F.R. Section 667.300 (c)(3) states that reported expenditures and program income, including any profits earned, must be on the accrual basis of accounting and cumulative by fiscal year of appropriation. If the recipient's accounting records are not normally kept on the accrual basis of accounting, the recipient must develop accrual information through an analysis of the documentation on hand.

The Ohio Department of Job and Family Services uses accrual information counties enter into the QUIC system to report GAAP information to the Federal government.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2002
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2002-008 (Continued)

3. Noncompliance Citation - Reporting (Continued)

During 2003, \$280,006 of Workforce Investment Act expenditures were made for services which were rendered during the period September 2002 through December 2002. These amounts were not included as an accrual on the County's JFS 02827 Report (Job and Family Services Public Assistance Fund Certification Sheet). This resulted in accrual amounts not conforming to generally accepted accounting principles.

We recommend the Lawrence County Department of Job and Family Services develop a method of reporting accruals which conforms to generally accepted accounting principles.

4. Subrecipient Monitoring

Finding Number	2002-009
CFDA Title and Number	Work Force Investment Act - CFDA# 17.258, 17.259 and 17.260
Federal Award Number/Year	2001- 2002
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

Noncompliance Citation

20 C.F.R. Section 667.410(a) details the roles and responsibilities for all recipients and subrecipients of funds under the Workforce Investment Act title I in general. Each recipient and subrecipient must conduct regular oversight and monitoring of its Workforce Investment Act activities and those of its subrecipients and contractors in order to:

- (1) Determine that expenditures have been made against the cost categories and within the cost limitations specified in the Act and the regulations in this part;
- (2) Determine whether or not there is compliance with other provisions of the Act and the Workforce Investment Act regulations and other applicable laws and regulations; and
- (3) Provide technical assistance as necessary and appropriate.

The Lawrence County Department of Job and Family Services contracts with Ohio University for the provision of on-going coordination and oversight of its Workforce Investment Act program. This contract includes provisions that Ohio University shall maintain indirect responsibility for monitoring Lawrence County Workforce programs as they relate to the Workforce Investment Act. However, documentation was not maintained by the Lawrence County Department of Job and Family Services to indicate the extent of monitoring procedures performed. In order to ensure compliance with Subrecipient Monitoring requirements, a policy for monitoring subrecipients should be developed and detailed documentation of monitoring procedures performed should be maintained.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2002
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2002-009 (Continued)

Noncompliance Citation (Continued)

20 C.F.R. Section 667.410(a) (Continued)

We recommend the Lawrence County Department of Job and Family Services develop a method / policy for monitoring each of its subrecipients. We further recommend the Lawrence County Department of Job and Family Services monitor subrecipients in accordance with the policy developed and maintain supporting documentation to verify the performance of monitoring procedures. Monitoring procedures may include regularly scheduled site visits, unscheduled site visits, independent compliance reviews, review and follow up (if necessary) of contracting agencies audit report and findings (if any), etc. The Lawrence County Department of Job and Family Services should document who performed the monitoring activities, the date, who they spoke with, what was reviewed, and the results of the review. This would aid the department in documenting that they are complying with the subrecipient monitoring requirements. The Lawrence County Department of Job and Family Services should also review all its subrecipient monitoring responsibilities listed in OMB Circular A-133 §__.400 (d) and assure it complies with all these requirements.

5. Preparation of Federal Schedule

Finding Number	2002-010
CFDA Title and Number	Work Force Investment Act – CFDA# 17.258, 17.259 and 17.260 Community Development Block Grant – CFDA # 14.228 Medical Assistance Program-Title XIX – CFDA # 93.778
Federal Award Number/Year	2001- 2002
Federal Agency	U.S. Department of Labor; U.S. Department of Housing and Urban Development; U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Jobs and Family Services Ohio Department of Development Ohio Department of Mental Retardation and Developmental Disabilities

Noncompliance Citation and Material Weakness

OMB Circular A-133 §__.300 (d) states that the auditee shall prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §__.310. OMB Circular A-133 §__.310 (b) states that the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2002
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2002-010 (Continued)

5. Preparation of Federal Schedule (Continued)

- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

The County, in addition to being responsible for the fair presentation of the Schedule of Federal Awards Expenditures (the Federal Schedule), is responsible for ensuring compliance with applicable laws and regulations related to the grants. The County did not have the necessary information readily available to prepare the Federal Schedule. The preparation required consultation with the various individual departments of the County. Upon inquiry with the various departments of the County regarding the grants received, we received incomplete information that required additional research and inquires with various outside agencies to gain information. In some cases, it was noted that the department was unaware of the source of the grant, either state or federal.

The County's inability to provide a comprehensive list of grants received during the year is indicative of a weakness in the County's ability to properly present the information on the Federal Schedule. Additionally, the County's inability to identify a grant as either federal or state grant is indicative of a weakness in the County's ability to ensure compliance with applicable laws, regulations, and/or individual grant requirements. If the County cannot identify the grant as a federal or state award, it is unlikely that the County's management is aware of all of the applicable requirements associated with the grant.

New auditor independence standards adopted by the United States General Accounting Office (GAO) limit an independent auditor's ability to provide nonaudit services to audit clients for financial statement periods beginning January 1, 2003. As a result of the new standards, the audit team may no longer be able to compile the information to prepare the schedule of federal awards expenditures for the County as of the audit of the financial statements for 2003.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2002
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2002-010 (Continued)

5. Preparation of Federal Schedule (Continued)

We recommend the County appoint a person or office to serve as a grant coordinator or a central repository for grant information. Since the Commissioners authorize and approve grant applications, perhaps all grant information including a copy of the application, grant agreement, any status reports, etc. should be filed with the Commissioner's office. We further recommend the office receiving the grant request the necessary information to determine whether or not the grant is a federal or state grant. Since many federal grants are passed through a state agency, and federal grants retain their identity as federal even when passed through another government, inquiring with personnel at the state agency would likely enable the County to determine whether the grant is considered to be a federal or state grant at the County level. If the grant is determined to be a federal grant, the County should obtain documentation regarding the Catalog of Federal Domestic Assistance (CFDA) number for each of the federal grants, as well as the grant number assigned by the state pass through agency, if applicable. The County should maintain documentation of the total receipts and expenditures from each of the various grants. The County's collection and maintenance of such information would help to enable management to ensure the fair presentation of the Federal Schedule as well as compliance with applicable laws, regulations, and/or individual grant requirements.

LAWRENCE COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-60744-001	A material noncompliance citation was issued under Ohio Admin. Code Section 117-2-03 (B) for not filing its annual financial report in pursuance to accounting principles generally accepted in the United States of America.	No	Not Corrected: This item was repeated in the current audit as finding 2002-001
2001-60744-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41 (D) for not encumbering funds until the time of payment.	No	Not Corrected: This item was repeated in the current audit as finding 2002-002.

LAWRENCE COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2002**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-001	No corrective action planned.	N/A	Chris Kline, Deputy County Auditor
2002-002	The Deputy County Auditor intends to monitor purchase orders on a continuous basis and will strive to utilize "Then and Now" Certificates.	December 31, 2003	Chris Kline, Deputy County Auditor
2002-003	The Deputy County Auditor intends to monitor estimated versus actual receipts on a timely basis.	December 31, 2003	Chris Kline, Deputy County Auditor
2002-004	The Deputy County Auditor intends to monitor appropriations versus estimated resources throughout the year.	December 31, 2003	Chris Kline, Deputy County Auditor
2002-005	The County Prosecutor will determine the disposition of this finding for recovery.	December 31, 2003	J. B. Collier, Jr., County Prosecutor
2002-006	The Lawrence County Department of Job and Family Services is currently following the state prescribed procedures in regards to cash management which continues to evolve and will continue to follow state procedures as they are developed.	Current	Jenny Halleck, Fiscal Officer Lawrence County Department of Job And Family Services
2002-007	The Deputy County Auditor intends to monitor drawdowns and will strive to minimize the time period between receipt and disbursement of funds.	December 31, 2003	Chris Kline, Deputy County Auditor
2002-008	The Lawrence County Department of Job and Family Services often does not have access to accrual amounts during the reporting period required by the state. The Department will continued to follow state accepted procedures while continuing to encourage their sub-recipients to bill as quickly as possible after the service period has ended.	Current	Jenny Halleck, Fiscal Officer Lawrence County Department of Job And Family Services
2002-009	An administrator from the Lawrence County Department of Job and Family Services is conducting on-site monitoring. Also, the Department will develop a written policy and maintain documentation for the monitoring of subrecipients.	Current / Within 30 Days	Jenny Halleck, Fiscal Officer Lawrence County Department of Job And Family Services
2002-010	The County plans to contract with an Independent Public Accountant to prepare the Schedule of Federal Awards Expenditures for 2003.	December 31, 2003	Chris Kline, Deputy County Auditor



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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 16, 2003**