Lawrence County
Single Audit
For the Year Ended December 31, 2016

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Lawrence County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

October 5, 2017

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**Lawrence County**
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*For the Year Ended December 31, 2016*


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**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lawrence County, Ohio (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of the component unit, the Lawrence County Port Authority, which represents 87 and 52 percent, respectively, of the assets/net position and receipts of the aggregate discretely presented component units. Those statements, which were prepared in accordance with accounting principles generally accepted in the United States of America, were audited by another auditor, whose report has been furnished to us. We have applied audit procedures on the adjustments to the financial statements of this component unit, which conform those financial statements to the cash accounting basis. Our opinion, insofar as it relates to the amounts included for the Lawrence County Port Authority, prior to the adjustments, is based solely on the report of the other auditor. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement. The financial statements of Tri-State Industries and Choices Inc. were audited in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

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An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lawrence County, Ohio, as of December 31, 2016, and the respective changes in cash financial position and the respective budgetary comparison for the General, Board of Developmental Disabilities, Job and Family Services, and Motor Vehicle Gasoline Tax Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Awards Expenditures (the Schedule) presents additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Other Information*

We applied no procedures to the Management's Discussion and Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2017 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

September 27, 2017

The discussion and analysis of Lawrence County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2016, within the limitations of the County's cash basis of accounting. Please read this in conjunction with the County's basic financial statements that begin on page 11.

**Financial Highlights**

Key financial highlights for 2016 are as follows:

*Overall (Primary Government):*

Total net position increased $127,100 with governmental activities decreasing by $50,846 and business-type activities increasing by $177,946.

Total cash receipts were $47,573,228 in 2016.

Total program cash disbursements were $47,446,128 in 2016.

*Governmental Activities:*

Total program cash receipts were $26,159,570 in 2016, while program cash disbursements were $44,300,715.

Program cash disbursements were primarily composed of human services, public safety, health, public works, legislative and executive, judicial, capital outlay and principal retirement related cash disbursements which were $7,902,932, $7,686,012, $12,243,603, $4,671,991, $5,015,016, $3,823,587, $1,645,127 and $840,811, respectively in 2016.

*Business-Type Activities:*

Total program cash receipts were $3,321,832 for business-type activities, while corresponding cash disbursements were $3,145,413.

**Using this Basic Financial Report**

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

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

***Reporting the County as a Whole***

***The County's Reporting Entity Presentation***

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

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all cash basis financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *only net position* using the *cash basis of accounting,* which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the County's *net position* and changes in net position. This change in net position is important because it tells the reader whether, for the County as a whole, the *cash basis financial position* of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

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

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

> Governmental Activities – Most of the County's programs and services are reported here including general government, public safety, public works, health, human services, community and economic development, transportation, other, capital outlay, and debt service.
>
> Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The County's wastewater treatment program is reported as business-type activities.
>
> Component Unit Activities – Although Tri-State Industries, Inc., Choices, Inc., the Lawrence County Port Authority and the Lawrence County Transportation Improvement District are separate legal entities, the County includes their activities since the County is financially accountable for these four entities.

***Reporting the County's Most Significant Funds***

***Fund Financial Statements***

The analysis of the County's major funds begins on page 9. Fund financial statements provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's most significant funds that have been presented as major governmental funds are the General Fund, the Board of Developmental Disabilities Fund, the Job and Family Services Fund, and the Motor Vehicle Gasoline Tax Fund. The County's most significant fund that has been presented as a major enterprise fund is the Union-Rome Sewer Fund.

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

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

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

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

**The County as a Whole**

Recall that the statement of net position provides the perspective of the County as a whole. Table 1 provides a summary of the County's net position for 2016 compared to the prior year:

Table 1
Net Position

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Assets** | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | $18,149,011 | $18,199,857 | $3,220,169 | $3,042,223 | $21,369,180 | $21,242,080 |
| *Total Assets* | 18,149,011 | 18,199,857 | 3,220,169 | 3,042,223 | 21,369,180 | 21,242,080 |
| **Net Position** | | | | | | |
| Restricted | 14,993,473 | 14,634,112 | - | - | 14,993,473 | 14,634,112 |
| Unrestricted | 3,155,538 | 3,565,745 | 3,220,169 | 3,042,223 | 6,375,707 | 6,607,968 |
| *Total Net Position* | $18,149,011 | $18,199,857 | $3,220,169 | $3,042,223 | $21,369,180 | $21,242,080 |

Total assets and net position increased by $127,100 from 2015 to 2016, which will be further discussed on the next page.

Table 2 shows the changes in net position for 2016 and 2015.

Table 2
Changes in Net Cash Position

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| ***Cash Receipts*** | | | | | | |
| *Program Cash Receipts* | | | | | | |
| Charges For Services | $7,947,184 | $7,515,495 | $3,321,832 | $3,277,209 | $11,269,016 | $10,792,704 |
| Operating Grants and Contributions | 17,027,197 | 17,777,195 | - | - | 17,027,197 | 17,777,195 |
| Capital Grants and Contributions | 1,185,189 | 902,141 | - | - | 1,185,189 | 902,141 |
| Total Program Cash Receipts | 26,159,570 | 26,194,831 | 3,321,832 | 3,277,209 | 29,481,402 | 29,472,040 |
| *General Cash Receipts* | | | | | | |
| Property Taxes | 4,879,218 | 4,854,623 | - | - | 4,879,218 | 4,854,623 |
| Sales Taxes | 9,103,469 | 8,965,402 | - | - | 9,103,469 | 8,965,402 |
| Payments in Lieu of Taxes | 282,804 | 152,070 | - | - | 282,804 | 152,070 |
| Grants and Entitlements Not Restricted to Specific Programs | 2,156,864 | 2,189,980 | - | - | 2,156,864 | 2,189,980 |
| General Obligation Bonds Issued | 534,925 | 496,679 | - | - | 534,925 | 496,679 |
| Loan returned from Transportation Improvement District | 500,000 | - | - | - | 500,000 | - |
| Interest Receipts | 151,264 | 158,365 | - | - | 151,264 | 158,365 |
| Miscellaneous | 476,756 | 539,149 | 6,526 | 12,342 | 483,282 | 551,491 |
| Total General Cash Receipts | 18,085,300 | 17,356,268 | 6,526 | 12,342 | 18,091,826 | 17,368,610 |
| ***Total Cash Receipts*** | 44,244,870 | 43,551,099 | 3,328,358 | 3,289,551 | 47,573,228 | 46,840,650 |
| ***Cash Disbursements*** | | | | | | |
| Program Cash Disbursements | | | | | | |
| General Government | | | | | | |
| Legislative and Executive | 5,015,016 | 4,689,865 | - | - | 5,015,016 | 4,689,865 |
| Judicial | 3,823,587 | 3,832,133 | - | - | 3,823,587 | 3,832,133 |
| Public Safety | 7,686,012 | 6,620,610 | - | - | 7,686,012 | 6,620,610 |
| Public Works | 4,671,991 | 4,433,594 | - | - | 4,671,991 | 4,433,594 |
| Health | 12,243,603 | 11,067,443 | - | - | 12,243,603 | 11,067,443 |
| Human Services | 7,902,932 | 7,754,104 | - | - | 7,902,932 | 7,754,104 |
| Community and Economic Development | 70,681 | 172,614 | - | - | 70,681 | 172,614 |
| Transportation | 146,550 | 139,107 | - | - | 146,550 | 139,107 |
| Other | 144,398 | 215,683 | - | - | 144,398 | 215,683 |
| Capital Outlay | 1,645,127 | 1,697,002 | - | - | 1,645,127 | 1,697,002 |
| Loan to TID | - | 500,000 | - | - | - | 500,000 |
| Debt Service: | | | | | | |
| Principal Retirement | 840,811 | 849,532 | - | - | 840,811 | 849,532 |
| Interest and Fiscal Charges | 110,007 | 122,759 | - | - | 110,007 | 122,759 |
| Wastewater Treatment | - | - | 3,145,413 | 2,864,221 | 3,145,413 | 2,864,221 |
| ***Total Cash Disbursements*** | 44,300,715 | 42,094,446 | 3,145,413 | 2,864,221 | 47,446,128 | 44,958,667 |
| ***Transfers*** | | | | | | |
| Transfers In (Out) | 4,999 | 9,997 | (4,999) | (9,997) | - | - |
| ***Change in Net Cash Position*** | (50,846) | 1,466,650 | 177,946 | 415,333 | 127,100 | 1,881,983 |
| Net Position at Beginning of Year | 18,199,857 | 16,733,207 | 3,042,223 | 2,626,890 | 21,242,080 | 19,360,097 |
| Net Position at End of Year | $18,149,011 | $18,199,857 | $3,220,169 | $3,042,223 | $21,369,180 | $21,242,080 |

**Governmental Activities** The decrease in Operating Grants and Contributions is primarily due to decreased funding received in the Job and Family Services and Motor Vehicle Gasoline Tax programs. The increase in Charges for Sales and services is due to more program services being reimbursed in the developmentally disabled program. The Transportation Improvement District returned a loan of $500,000 to the County during 2016.

Property taxes and sales taxes made up 11 percent and 21 percent, respectively, of cash receipts for governmental activities for Lawrence County in 2016. Operating grants and contributions made up 38 percent of cash receipts for governmental activities for the County.

Public Safety increased $1,065,402, primarily due to increased out of county jail housing costs, increased medical costs for prisoners, and increased labor costs for the sheriff road patrol. Legislative and Executive increased primarily due to additional election expenses due to the presidential election and due to general inflation. Health increased primarily due to increased program services for the developmentally disabled in 2016.

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

Table 3
Total Cost of Program Services
Governmental Activities

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| General Government: | | | | |
| Legislative and Executive | $ 5,015,016 | $ 3,826,803 | $ 4,689,865 | $ 3,320,850 |
| Judicial | 3,823,587 | 2,885,934 | 3,832,133 | 2,885,486 |
| Public Safety | 7,686,012 | 4,325,938 | 6,620,610 | 3,405,146 |
| Public Works | 4,671,991 | 872,070 | 4,433,594 | 1,181,396 |
| Health | 12,243,603 | 2,518,144 | 11,067,443 | 1,573,325 |
| Human Services | 7,902,932 | 1,553,128 | 7,754,104 | 1,186,123 |
| Community and Economic Development | 70,681 | 13,890 | 172,614 | 22,719 |
| Transportation | 146,550 | 28,801 | 139,107 | 18,309 |
| Other | 144,398 | 121,421 | 215,683 | 187,432 |
| Capital Outlay | 1,645,127 | 1,044,198 | 1,697,002 | 646,538 |
| Loan to TID | - | - | 500,000 | 500,000 |
| Debt Service: | | | | |
| Principal Retirements | 840,811 | 840,811 | 849,532 | 849,532 |
| Interest and Fiscal Charges | 110,007 | 110,007 | 122,759 | 122,759 |
| *Total Cash Disbursements* | $ 44,300,715 | $ 18,141,145 | $ 42,094,446 | $ 15,899,615 |

Table 4
Total Cost of Program Services
Business-Type Activities

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Wastewater Treatment | $3,145,413 | ($176,419) | $2,864,221 | ($412,988) |
| *Total Cash Disbursements* | $3,145,413 | ($176,419) | $2,864,221 | ($412,988) |

***Business-Type Activities*** Business-type activities include wastewater treatment services. Overall net position increased $177,946 from 2015 to 2016. Program receipts exceeded program disbursements for the wastewater treatment segment in the amount of $176,419 primarily because of an increase in contractual services.

**The County's Funds**

Information about the County's major funds starts on page 14. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of $48,343,699 and cash disbursements and other financing uses of $48,394,545. The net change in fund balance for the year was most significant in the Motor Vehicle Gasoline Tax Fund, where the Motor Vehicle Gasoline Tax Fund cash balance went from $2,170,458 in 2015 to $3,165,571 for 2016. The primary reason for the change in the Motor Vehicle Gasoline Tax Fund was due to a loan returned from the Lawrence County Transportation Improvement District in the amount of $500,000. For the Jobs and Family Services Fund, the fund balance decreased $246,294, while the fund balance of the General Fund decreased $410,207. The fund balance of the Board of Developmental Disabilities Fund decreased $355,502 as disbursements exceeded receipts.

**General Fund Budgeting Highlights**

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. Final budgeted receipts and other financing sources were $16,797,812, which is over original budgeted receipts of $15,307,038. The primary reasons for the increase in budgeted receipts were due to sales tax and intergovernmental receipts being higher than originally budgeted. Total actual receipts and other financing sources were $16,797,812, above original budget estimates of $15,307,038. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were $17,154,582, $356,770 above cash receipts and other financing sources. Original budgeted appropriations and other financing uses were $16,479,505, while final budgeted amounts were $17,154,582. The increase is due to mainly to increases in judicial and public safety disbursements.

**Capital Assets and Debt Administration**

***Capital Assets***

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The County had capital outlay disbursements of $1,645,127 and $127,558 for its governmental activities and its business-type activities, respectively, during 2016.

***Debt***

Under the cash basis of accounting the County does not report bonds, leases, long-term notes or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds, leases, long-term notes and short-term notes. At December 31, 2016, the County had $3,261,386 outstanding in bonds and related long-term debt for governmental activities and $23,766,493 outstanding in bonds and related long-term debt for business-type activities. For additional information regarding debt, please see note 10 to the basic financial statements.

Table 5 summarizes bonds and long-term debt outstanding for governmental activities for 2016 and 2015:

Table 5
Outstanding Debt at December 31
Governmental Activities

| | 2016 | 2015 |
|---|---|---|
| General Obligation Bonds | $2,303,370 | $2,427,695 |
| Lease Financing Agreements | 711,931 | 791,295 |
| OPWC Loans | 0 | 5,000 |
| Long Term Notes | 246,085 | 343,282 |
| Totals | $3,261,386 | $3,567,272 |

Table 6 summarizes bonds and long-term debt outstanding for business-type activities for 2016 and 2015:

Table 6
Outstanding Debt at December 31
Business-Type Activities

| | 2016 | 2015 |
|---|---|---|
| OWDA Loans | $23,114,644 | $24,000,032 |
| OPWC Loans | 448,520 | 530,137 |
| Sewer Bonds | 203,329 | 268,144 |
| Total | $23,766,493 | $24,798,313 |

**Current Financial Related Activities**

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

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

**Contacting the County's Financial Management**

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

**Lawrence County**
*Statement of Net Position - Cash Basis*
*As of December 31, 2016*

| | Primary Government | | | Component Units | | | |
|---|---|---|---|---|---|---|---|
| | **Governmental Activities** | **Business-Type Activities** | **Total** | **Tri-State Industries** | **Choices, Inc.** | **Lawrence County Port Authority** | **Lawrence County Transportation Improvement District** |
| **ASSETS** | | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | $ 18,149,011 | $ 3,220,169 | $ 21,369,180 | $ - | $ - | $ - | $ - |
| Cash and Cash Equivalents in Segregated Accounts | - | - | - | 7,668 | 32,282 | 375,497 | 14,074 |
| *Total Assets* | 18,149,011 | 3,220,169 | 21,369,180 | 7,668 | 32,282 | 375,497 | 14,074 |
| **NET POSITION** | | | | | | | |
| Restricted for: | | | | | | | |
| Developmental Disabilities | 5,150,989 | - | 5,150,989 | - | - | - | - |
| Job and Family Services | 193,470 | - | 193,470 | - | - | - | - |
| Motor Vehicle and Gas Tax | 3,165,571 | - | 3,165,571 | - | - | - | - |
| Real Estate Assessment | 658,784 | - | 658,784 | - | - | - | - |
| Child Support | 622,643 | - | 622,643 | - | - | - | - |
| EMS | 370,330 | - | 370,330 | - | - | - | - |
| Court Development | 333,157 | - | 333,157 | - | - | - | - |
| Care and Custody | 317,287 | - | 317,287 | - | - | - | - |
| Juvenile Court IV-D Contract | 304,670 | - | 304,670 | - | - | - | - |
| Common Pleas Court | 267,841 | - | 267,841 | - | - | - | - |
| County Court | 218,371 | - | 218,371 | - | - | - | - |
| Delinquent Taxes | 204,829 | - | 204,829 | - | - | - | - |
| Indigent Drivers | 161,843 | - | 161,843 | - | - | - | - |
| Juvenile and Probation | 270,337 | - | 270,337 | - | - | - | - |
| Children Services | 104,957 | - | 104,957 | - | - | - | - |
| Debt Service | 69,312 | - | 69,312 | - | - | - | - |
| Capital Projects | 1,243,894 | - | 1,243,894 | - | - | - | - |
| Other Purposes | 1,335,188 | - | 1,335,188 | - | 32,282 | 375,497 | 14,074 |
| Unrestricted | 3,155,538 | 3,220,169 | 6,375,707 | 7,668 | - | - | - |
| *Total Net Position* | $ 18,149,011 | $ 3,220,169 | $ 21,369,180 | $ 7,668 | $ 32,282 | $ 375,497 | $ 14,074 |

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

**Lawrence County**
*Statement of Activities - Cash Basis*
*For the Year Ended December 31, 2016*

| | | Program Cash Receipts | | |
|---|---|---|---|---|
| **Governmental Activities** | **Cash Disbursements** | **Charges for Services and Sales** | **Operating Grants and Contributions** | **Capital Grants and Contributions** |
| General Government: | | | | |
| Legislative and Executive | $ 5,015,016 | $ 761,703 | $ 426,510 | $ - |
| Judicial | 3,823,587 | 583,111 | 354,542 | - |
| Public Safety | 7,686,012 | 1,746,994 | 1,613,080 | - |
| Public Works | 4,671,991 | 849,827 | 2,297,653 | 652,441 |
| Health | 12,243,603 | 2,351,866 | 7,373,593 | - |
| Human Services | 7,902,932 | 1,523,279 | 4,826,525 | - |
| Community and Economic Development | 70,681 | 13,624 | 43,167 | - |
| Transportation | 146,550 | 28,247 | 89,502 | - |
| Other | 144,398 | 22,977 | - | - |
| Capital Outlay | 1,645,127 | 65,556 | 2,625 | 532,748 |
| Debt Service: | | | | |
| Principal Retirements | 840,811 | - | - | - |
| Interest and Fiscal Charges | 110,007 | - | - | - |
| *Total Governmental Activities* | 44,300,715 | 7,947,184 | 17,027,197 | 1,185,189 |
| Business-Type Activities: | | | | |
| Wastewater Treatment | 3,145,413 | 3,321,832 | - | - |
| *Total Business-Type Activities* | 3,145,413 | 3,321,832 | - | - |
| *Total Primary Government* | $ 47,446,128 | $ 11,269,016 | $ 17,027,197 | $ 1,185,189 |
| Component Units: | | | | |
| Tri-State Industries, Inc. | $ 1,515,751 | $ 500,547 | $ 989,818 | $ - |
| Choices, Inc. | 173,340 | 149,647 | - | - |
| Lawrence County Port Authority | 1,866,437 | 535,814 | 1,244,472 | - |
| Lawrence County Transportation Improvement District | 606,989 | - | 133,194 | |
| *Total Component Units* | $ 4,162,517 | $ 1,186,008 | $ 2,367,484 | $ - |

General Cash Receipts and Transfers:
Property Taxes Levied for:
General Purposes
DD
Sales Taxes
Payments in Lieu of Taxes
Grants and Entitlements, Not Restricted to Specific Programs
Transfers In (Out)
General Obligation Bonds and Notes Issued
Loan returned from Transportation Improvement District
Interest Receipts
Miscellaneous

*Total General Cash Receipts and Transfers*

*Changes in Net Position*

*Net Position Beginning of Year*

*Net Position End of Year*

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

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

| Primary Government | | | Component Units | | | |
|---|---|---|---|---|---|---|
| Governmental Activities | Business-Type Activities | Total | Tri-State Industries | Choices Inc. | Lawrence County Port Authority | Lawrence County Transportation Improvement |
| $ (3,826,803) | $ - | $ (3,826,803) | $ - | $ - | $ - | $ - |
| (2,885,934) | - | (2,885,934) | - | - | - | - |
| (4,325,938) | - | (4,325,938) | - | - | - | - |
| (872,070) | - | (872,070) | - | - | - | - |
| (2,518,144) | - | (2,518,144) | - | - | - | - |
| (1,553,128) | - | (1,553,128) | - | - | - | - |
| (13,890) | | (13,890) | | | | |
| (28,801) | - | (28,801) | - | - | - | - |
| (121,421) | - | (121,421) | - | - | - | - |
| (1,044,198) | - | (1,044,198) | - | - | - | - |
| | | | - | - | - | - |
| (840,811) | - | (840,811) | - | - | - | - |
| (110,007) | - | (110,007) | - | - | - | - |
| (18,141,145) | - | (18,141,145) | - | - | - | - |
| - | 176,419 | 176,419 | - | - | - | - |
| - | 176,419 | 176,419 | - | - | - | - |
| (18,141,145) | 176,419 | (17,964,726) | - | - | - | - |
| | | | (25,386) | - | - | - |
| | | | - | (23,693) | - | - |
| | | | - | - | (86,151) | - |
| | | | - | - | - | (473,795) |
| | | | (25,386) | (23,693) | (86,151) | (473,795) |
| 2,855,084 | - | 2,855,084 | - | - | - | - |
| 2,024,134 | - | 2,024,134 | - | - | - | - |
| 9,103,469 | - | 9,103,469 | - | - | - | - |
| 282,804 | - | 282,804 | - | - | - | - |
| 2,156,864 | - | 2,156,864 | - | - | - | - |
| 4,999 | (4,999) | - | - | - | - | - |
| 534,925 | - | 534,925 | - | - | - | - |
| 500,000 | - | 500,000 | - | - | - | - |
| 151,264 | - | 151,264 | - | - | 121,647 | - |
| 476,756 | 6,526 | 483,282 | 6,407 | 16,767 | 9,454 | 234 |
| 18,090,299 | 1,527 | 18,091,826 | 6,407 | 16,767 | 131,101 | 234 |
| (50,846) | 177,946 | 127,100 | (18,979) | (6,926) | 44,950 | (473,561) |
| 18,199,857 | 3,042,223 | 21,242,080 | 26,647 | 39,208 | 330,547 | 487,635 |
| $ 18,149,011 | $ 3,220,169 | $ 21,369,180 | $ 7,668 | $ 32,282 | $ 375,497 | $ 14,074 |

**Lawrence County**
*Statement of Cash Basis Assets and Fund Balances and*
*Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds - Cash Basis*
*As of and For the Year Ended December 31, 2016*

| | General | Board of Developmental Disabilities | Job and Family Services | Motor Vehicle Gasoline Tax | All Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **CASH RECEIPTS** | | | | | | |
| Property Taxes | $ 2,855,084 | $ 2,024,134 | $ - | $ - | $ - | $ 4,879,218 |
| Sales Taxes | 9,103,469 | - | - | - | - | 9,103,469 |
| Payments in Lieu of Taxes | 280,944 | 1,860 | - | - | - | 282,804 |
| Charges for Services | 2,000,543 | 1,078,809 | 202,010 | - | 4,153,781 | 7,435,143 |
| Licenses and Permits | 3,457 | - | - | - | 3,689 | 7,146 |
| Fines and Forfeitures | 481,423 | - | - | 23,472 | - | 504,895 |
| Intergovernmental | 1,866,515 | 4,910,234 | 5,313,389 | 4,771,941 | 3,507,171 | 20,369,250 |
| Interest | 109,722 | 32,569 | - | 8,466 | 507 | 151,264 |
| Other | 47,037 | 13,082 | 89,971 | 11,950 | 314,716 | 476,756 |
| *Total Cash Receipts* | 16,748,194 | 8,060,688 | 5,605,370 | 4,815,829 | 7,979,864 | 43,209,945 |
| **CASH DISBURSEMENTS** | | | | | | |
| Current: | | | | | | |
| General Government: | | | | | | |
| Legislative and Executive | 4,332,646 | - | - | - | 682,370 | 5,015,016 |
| Judicial | 3,243,062 | - | - | - | 580,525 | 3,823,587 |
| Public Safety | 5,044,762 | - | - | - | 2,641,250 | 7,686,012 |
| Public Works | 857,848 | - | - | 3,762,167 | 51,976 | 4,671,991 |
| Health | 170,112 | 8,416,190 | - | - | 3,657,301 | 12,243,603 |
| Human Services | - | - | 5,877,219 | - | 2,025,713 | 7,902,932 |
| Community and Economic Development | - | - | - | - | 70,681 | 70,681 |
| Transportation | - | - | - | - | 146,550 | 146,550 |
| Other | 144,398 | - | - | - | - | 144,398 |
| Capital Outlay | 16,139 | - | - | 4,298 | 1,624,690 | 1,645,127 |
| Debt Service: | | | | | | |
| Principal Retirements | - | - | - | 400,000 | 440,811 | 840,811 |
| Interest and Fiscal Charges | - | - | - | 29,770 | 80,237 | 110,007 |
| *Total Cash Disbursements* | 13,808,967 | 8,416,190 | 5,877,219 | 4,196,235 | 12,002,104 | 44,300,715 |
| *Excess of Cash Receipts Over (Under) Cash Disbursements* | 2,939,227 | (355,502) | (271,849) | 619,594 | (4,022,240) | (1,090,770) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Transfers In | 37,875 | - | 150,885 | - | 3,884,301 | 4,073,061 |
| General Obligation Bonds Issued | 200,000 | - | - | - | 334,925 | 534,925 |
| Loan returned from Transportation Improvement District | - | - | - | 500,000 | - | 500,000 |
| Transfers Out | (3,561,541) | - | (125,330) | (124,481) | (256,710) | (4,068,062) |
| Advances In | - | - | - | - | 25,768 | 25,768 |
| Advances Out | (25,768) | - | - | - | - | (25,768) |
| *Total Other Financing Sources (Uses)* | (3,349,434) | - | 25,555 | 375,519 | 3,988,284 | 1,039,924 |
| *Net Change in Fund Cash Balances* | (410,207) | (355,502) | (246,294) | 995,113 | (33,956) | (50,846) |
| *Cash Basis Fund Balances at Beginning of Year* | 3,565,745 | 5,506,491 | 439,764 | 2,170,458 | 6,517,399 | 18,199,857 |
| *Cash Basis Fund Balances at End of Year* | $ 3,155,538 | $ 5,150,989 | $ 193,470 | $ 3,165,571 | $ 6,483,443 | $ 18,149,011 |
| **CASH BASIS ASSETS AT END OF YEAR** | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | $ 3,155,538 | $ 5,150,989 | $ 193,470 | $ 3,165,571 | $ 6,483,443 | $ 18,149,011 |
| *Total Assets* | $ 3,155,538 | $ 5,150,989 | $ 193,470 | $ 3,165,571 | $ 6,483,443 | $ 18,149,011 |
| **CASH FUND BALANCES AT YEAR END** | | | | | | |
| Nonspendable | $ 208,051 | $ - | $ - | $ - | $ - | $ 208,051 |
| Restricted | - | 5,150,989 | 193,470 | 3,165,571 | 6,483,443 | 14,993,473 |
| Assigned | 2,198,509 | - | - | - | - | 2,198,509 |
| Unassigned | 748,978 | - | - | - | - | 748,978 |
| *Total Cash Basis Fund Balances* | $ 3,155,538 | $ 5,150,989 | $ 193,470 | $ 3,165,571 | $ 6,483,443 | $ 18,149,011 |

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

**Lawrence County**
*Statement of Receipts, Disbursements and Changes*
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*
*General Fund*
*For the Year Ended December 31, 2016*

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **RECEIPTS** | | | | |
| Property Taxes | $ 2,715,600 | $ 2,855,084 | $ 2,855,084 | $ - |
| Sales Taxes | 8,563,842 | 9,103,469 | 9,103,469 | - |
| Payments in Lieu of Taxes | 264,290 | 280,944 | 280,944 | - |
| Charges for Services | 1,416,143 | 1,505,377 | 1,505,377 | - |
| Licenses and Permits | 3,252 | 3,457 | 3,457 | - |
| Fines and Forfeitures | 452,886 | 481,423 | 481,423 | - |
| Intergovernmental | 1,755,873 | 1,866,515 | 1,866,515 | - |
| Interest | 102,646 | 109,114 | 109,114 | - |
| Other | 32,506 | 34,554 | 34,554 | - |
| *Total Receipts* | 15,307,038 | 16,239,937 | 16,239,937 | - |
| **DISBURSEMENTS** | | | | |
| Current: | | | | |
| General Government: | | | | |
| Legislative and Executive | 4,559,058 | 4,412,327 | 4,412,327 | - |
| Judicial | 2,672,019 | 2,882,537 | 2,882,537 | - |
| Public Safety | 4,280,953 | 5,070,704 | 5,070,704 | - |
| Public Works | 644,751 | 860,736 | 860,736 | - |
| Health | 172,254 | 173,757 | 173,757 | - |
| Human Services | 233,000 | - | - | - |
| Other | 374,800 | 144,373 | 144,373 | - |
| Capital Outlay | 4,000 | 32,839 | 32,839 | - |
| *Total Disbursements* | 12,940,835 | 13,577,273 | 13,577,273 | - |
| Excess of Receipts Over Disbursements | 2,366,203 | 2,662,664 | 2,662,664 | - |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers In | - | 357,875 | 357,875 | - |
| General Obligation Bonds Issued | - | 200,000 | 200,000 | |
| Transfers Out | (3,538,670) | (3,551,541) | (3,551,541) | |
| Advances Out | - | (25,768) | (25,768) | - |
| *Total Other Financing Sources (Uses)* | (3,538,670) | (3,019,434) | (3,019,434) | - |
| *Net Change in Fund Balance* | (1,172,467) | (356,770) | (356,770) | - |
| *Fund Balance at Beginning of Year* | 2,260,680 | 2,260,680 | 2,260,680 | - |
| *Prior Year Encumbrances Appropriated* | 135,659 | 135,659 | 135,659 | - |
| *Fund Balance at End of Year* | $ 1,223,872 | $ 2,039,569 | $ 2,039,569 | $ - |

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

**Lawrence County**
*Statement of Receipts, Disbursements and Changes*
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*
*Board of Developmental Disabilities Fund*
*For the Year Ended December 31, 2016*

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **RECEIPTS** | | | | |
| Property Taxes | $ - | $ 2,024,134 | $ 2,024,134 | $ - |
| Payments in Lieu of Taxes | 2,312 | 1,860 | 1,860 | - |
| Charges for Services | 1,340,345 | 1,078,809 | 1,078,809 | - |
| Intergovernmental | 6,100,625 | 4,910,234 | 4,910,234 | - |
| Interest | 40,465 | 32,569 | 32,569 | - |
| Other | 16,253 | 13,082 | 13,082 | - |
| *Total Receipts* | 7,500,000 | 8,060,688 | 8,060,688 | - |
| **DISBURSEMENTS** | | | | |
| Current: | | | | |
| Health | 8,273,709 | 8,420,107 | 8,420,107 | - |
| *Total Disbursements* | 8,273,709 | 8,420,107 | 8,420,107 | - |
| *Net Change in Fund Balance* | (773,709) | (359,419) | (359,419) | - |
| *Fund Balance at Beginning of Year* | 5,439,985 | 5,439,985 | 5,439,985 | - |
| *Prior Year Encumbrances Appropriated* | 66,345 | 66,345 | 66,345 | - |
| *Fund Balance at End of Year* | $ 4,732,621 | $ 5,146,911 | $ 5,146,911 | $ - |

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

**Lawrence County**

*Statement of Receipts, Disbursements and Changes*
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*
*Job and Family Services Fund*
*For the Year Ended December 31, 2016*

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **RECEIPTS** | | | | |
| Intergovernmental | $ 6,553,572 | $ 5,313,389 | $ 5,313,389 | $ - |
| Charges for Services | 240,009 | 202,010 | 202,010 | - |
| Other | 10,919 | 89,971 | 89,971 | - |
| *Total Receipts* | 6,804,500 | 5,605,370 | 5,605,370 | - |
| **DISBURSEMENTS** | | | | |
| Current: | | | | |
| Human Services | 6,088,645 | 6,003,315 | 5,888,853 | 114,462 |
| *Total Disbursements* | 6,088,645 | 6,003,315 | 5,888,853 | 114,462 |
| **OTHER FINANCING SOURCES** | | | | |
| Transfers In | - | 150,885 | 150,885 | - |
| Transfers Out | (40,000) | (125,330) | (125,330) | - |
| *Total Other Financing Sources* | (40,000) | 25,555 | 25,555 | - |
| *Net Change in Fund Balance* | 675,855 | (372,390) | (257,928) | 114,462 |
| *Fund Balance at Beginning of Year* | 276,173 | 276,173 | 276,173 | - |
| *Prior Year Encumbrances Appropriated* | 163,591 | 163,591 | 163,591 | - |
| *Fund Balance at End of Year* | $ 1,115,619 | $ 67,374 | $ 181,836 | $ 114,462 |

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

**Lawrence County**
*Statement of Receipts, Disbursements and Changes*
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*
*Motor Vehicle Gasoline Tax Fund*
*For the Year Ended December 31, 2016*

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **RECEIPTS** | | | | |
| Fines and Forfeitures | $ 32,164 | $ 23,472 | $ 23,472 | $ - |
| Intergovernmental | 6,049,218 | 4,771,941 | 4,771,941 | - |
| Charges for Services | 10,502 | - | - | - |
| Interest | 11,650 | 8,466 | 8,466 | - |
| Other | 64,164 | 11,950 | 11,950 | - |
| *Total Receipts* | 6,167,698 | 4,815,829 | 4,815,829 | - |
| **DISBURSEMENTS** | | | | |
| Current: | | | | |
| Public Works | 4,819,610 | 4,382,927 | 4,047,569 | 335,358 |
| Capital Outlay | 65,107 | 6,200 | 4,298 | 1,902 |
| Debt Service: | | | | |
| Principal Retirements | 410,092 | 470,230 | 400,000 | 70,230 |
| Interest and Fiscal Charges | 39,912 | 29,770 | 29,770 | - |
| *Total Disbursements* | 5,334,721 | 4,889,127 | 4,481,637 | 407,490 |
| Excess of Receipts Over (Under) Disbursements | 832,977 | (73,298) | 334,192 | 407,490 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Repayment of Loan from TID | - | 500,000 | 500,000 | - |
| Transfers In | 650,000 | 650,000 | - | (650,000) |
| Transfers Out | (1,878,974) | (725,137) | (124,481) | 600,656 |
| | - | | | |
| Total Other Financing Sources (Uses) | (1,228,974) | 424,863 | 375,519 | (49,344) |
| *Net Change in Fund Balance* | (395,997) | 351,565 | 709,711 | 358,146 |
| *Fund Balance at Beginning of Year* | 1,917,739 | 1,917,739 | 1,917,739 | - |
| *Prior Year Encumbrances Appropriated* | 252,721 | 252,721 | 252,721 | - |
| *Fund Balance at End of Year* | $ 1,774,463 | $ 2,522,025 | $ 2,880,171 | $ 358,146 |

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

**Lawrence County**

*Statement of Cash Basis Assets and Net Cash Position and Cash Receipts,*
*Cash Disbursements and Changes in Net Position*
*Proprietary Funds - Cash Basis*
*As of and For the Year Ended December 31, 2016*

| | Union-Rome Sewer Fund |
|---|---|
| **OPERATING CASH RECEIPTS** | |
| Charges for Services | $ 3,321,832 |
| Other | 6,526 |
| *Total Operating Cash Receipts* | 3,328,358 |
| **OPERATING CASH DISBURSEMENTS** | |
| Salaries and Benefits | 835,605 |
| Contractual Services | 828,238 |
| Materials and Supplies | 55,410 |
| Capital Outlay | 127,558 |
| Other | 22,957 |
| *Total Operating Cash Disbursements* | 1,869,768 |
| Excess of Operating Cash Receipts Over Operating Cash Disbursements | 1,458,590 |
| **NON-OPERATING CASH DISBURSEMENTS** | |
| Interest and Fiscal Charges | (243,825) |
| Principal Retirement | (1,031,820) |
| *Total Non-Operating Cash Disbursements* | (1,275,645) |
| *Cash Receipts Over Cash Disbursements Before Transfers* | 182,945 |
| Transfers Out | (4,999) |
| *Change in Net Position* | 177,946 |
| *Net Position at Beginning of Year* | 3,042,223 |
| *Net Position at End of Year* | $ 3,220,169 |
| | |
| **CASH BASIS ASSETS AT END OF YEAR** | |
| Equity in Pooled Cash and Cash Equivalents | $ 3,220,169 |
| **NET POSITION AT END OF YEAR** | |
| Unrestricted | $ 3,220,169 |

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

**Lawrence County**

*Statement of Fiduciary Net Position - Cash Basis*

*As of December 31, 2016*

| | Agency Funds |
|---|---|
| **ASSETS** | |
| Equity Pooled in Cash and Cash Equivalents | $ 3,491,405 |
| Cash and Cash Equivalents in Segregated Accounts | 604,470 |
| *Total Assets* | 4,095,875 |
| **NET POSITION** | |
| Unrestricted | 4,095,875 |
| **Total Net Position** | $ 4,095,875 |

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

## NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

Lawrence County, Ohio (the County), was settled in 1797, and it was formally established on December 20, 1816 as a County by taking portions of Gallia and Scioto Counties. The County is comprised of fourteen townships. The County is governed by a three-member Board of County Commissioners elected by the voters of the County. The County Auditor is responsible for the fiscal controls of the resources of the County that are maintained in the funds described below. The County Treasurer is the custodian of funds and the investment officer. Other officials that manage various segments of the County's operations are the Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, two Common Pleas Court Judges, and one Judge for the Probate and Juvenile Courts. All of these officials are elected. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrator of public services for the County, including each of these departments.

### Reporting Entity

The County utilizes the standards of Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statements No. 39 and 61, for determining the reporting entity.

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

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

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

The County has the following component units:

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

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

### Reporting Entity (Continued)

Tri-State Industries, Inc., is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. The workshop, under a contractual agreement with the Lawrence County Board of Developmental Disabilities (DD), provides sheltered employment for developmentally disabled or handicapped adults in Lawrence County. The Lawrence County Board of DD provides the workshop with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the workshop. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the developmentally disabled and handicapped adults of Lawrence County, the workshop is a component unit of Lawrence County. Tri-State Industries, Inc. operates on a fiscal year ending June 30. Separately issued financial statements can be obtained from Tri-State Industries, Inc., Coal Grove, Ohio. On November 18, 2016 the Board voted to dissolve Tri-State Industries, Inc.; however, the workshop was still operating as of the end of 2016.

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

The Lawrence County Transportation Improvement District (LCTID) is a legally separate entity pursuant to the Ohio Revised Code Section 5540.03(A)(1). The purpose of the LCTID is to improve the transportation system in Lawrence County in order to contribute to the creation or preservation of jobs or employment opportunities or the improvement of economic welfare of the people within the area of the LCTID and to all the State. The Board of Trustees is appointed pursuant to the Ohio Revised Code Section 5540.02(C)(2). The Board of Trustees is made up of five voting members appointed by the Lawrence County Commissioners, there are also two nonvoting members, one of which is appointed by the Speaker of the Ohio House of Representatives and the other is appointed by the president of the Ohio Senate. Separately issued financial statements can be obtained from the Lawrence County Transportation Improvement District, Ironton, Ohio.

The County has elected to include the above component units in the accompanying basic financial statements. See also note 2 to the basic financial statements entitled *Government-wide Financial Statements.*

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

The Lawrence County Agricultural Society
The Lawrence County Educational Service Center
Collins Career Center
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

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

### Reporting Entity (Continued)

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

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

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

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

The County is involved with the following organizations that are defined as jointly governed organizations. Additional financial information concerning the jointly governed organizations is presented in note 11.

Adams, Lawrence, Scioto Alcohol, Drug Addiction, and Mental Health Services Board
Private Industry Council
Ironton-Lawrence County Community Action Organization
The KYOVA Interstate Planning Commission
Ohio Valley Regional Development Commission

The County is involved in the following organizations that are defined as public entity shared risk pools. Additional information concerning the public entity shared risk pools is presented in note 12.

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

The County is involved in the following organization that is defined as a joint venture. Additional financial information concerning the joint venture is presented in note 13.

Scioto-Lawrence Counties Joint Solid Waste District

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

Briggs-Lawrence County Public Library

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Fund Accounting

The County's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific County functions or activities. The operation of each fund is accounted for within a separate self-balancing set of accounts.

#### Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The following are the County's major governmental funds:

*General Fund*

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

*Board of Developmental Disabilities Special Revenue Fund*

This fund is used to provide assistance and training to developmentally disabled individuals. The primary sources of funding are various federal and state grants and a property tax levy.

*Job and Family Services Special Revenue Fund*

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

*Motor Vehicle Gasoline Tax Special Revenue Fund*

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

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

#### Proprietary Funds

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Union-Rome Sewer Fund*

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

**Fiduciary Funds**

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

*Agency Funds*

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

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

**Basis of Presentation**

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

**Government-wide Financial Statements**

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Financial Statements**

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

**Basis of Accounting**

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

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

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

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

**Cash Receipts – Exchange and Non-exchange Transactions**

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

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

**Cash Disbursements**

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

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Budgetary Process

#### Budget

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

#### Estimated Resources

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

#### Appropriations

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

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

#### Encumbrances

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

### Fund Balance

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

**Cash and Cash Equivalents and Investments**

Cash and cash equivalents consist of the total of fund cash balances of all funds as of December 31, 2016. To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. County funds are maintained in several checking accounts as well as invested in certificates of deposit with terms of one to twelve months. Individual fund balance integrity is maintained through the County's records. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All interest receipts are reported in the General Fund except those specifically related to those funds deemed appropriate according to Board of County Commissioners policy. For 2016, interest receipts amounted to $151,264 in which $109,722 was recorded in the General Fund; $32,569 was recorded in the Board of Developmental Disabilities Special Revenue Fund; $8,466 was recorded in the Motor Vehicle Gasoline Tax Special Revenue Fund; and $507 was recorded in All Other Governmental Funds.

**Capital Assets and Depreciation**

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

**Compensated Absences**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Long-Term Obligations**

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

**Operating Cash Receipts and Cash Disbursements**

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

**Net Cash Position**

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

Of the County's $14,993,473 in restricted net position, none is restricted by enabling legislation.

**Interfund Transactions**

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

**Interfund Receivables/Payable**

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

**Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

## NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

### A. Primary Government

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

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

1. United States treasury notes, bills, bonds, or 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;

2. 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 federal national mortgage association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or its political subdivisions;

5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (A) or (B) 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;

7. The State Treasurer's investment pool (STAR Ohio);

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;

9. High grade commercial paper in an amount not to exceed 5 percent of the County's total average portfolio;

10. Certain bankers' acceptances for a period not to exceed one hundred and eighty days and commercial paper notes for a period not to exceed two hundred and seventy days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;

11. Under limited circumstances, corporate debt interests rated in any of the three highest rating classifications by at least two nationally recognized rating agencies;

12. Notes issued by corporations incorporated and operating within the United States, or by depository institutions doing business under any state or United States authority and operating within the United States. Such investments shall not exceed fifteen percent of the County's total average portfolio and meet other requirements; and

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

### A. Primary Government (Continued)

13. A current unpaid or delinquent tax line of credit authorized under division (G) of section 135.341 of the Revised Code provided that all of the conditions for entering into such a line of credit under that division are satisfied.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. The County maintains a cash pool which is used by all funds.

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

***Deposits:***

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

The County's bank balance of $22,371,723 was either covered by FDIC or collateralized by the financial institutions' public entity deposit pools.

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

**A. Primary Government (Continued)**

***Investments:***

The County had the following investments as of December 31, 2016:

| | Investment Balance | Maturity <1 year | Maturity 1-2 | Maturity >2 years | Percent Invested |
|---|---|---|---|---|---|
| Village of Protorville Securities | $ 62,700 | $ 27,600 | $ 35,100 | $0 | 1.33% |
| Fairland Schools Securities | 1,200,000 | 230,000 | 475,000 | 495,000 | 25.42% |
| Fayette Twp Securities | 58,200 | 58,200 | - | 0 | 1.23% |
| Rome Twp Securities | 12,480 | 12,480 | - | 0 | 0.26% |
| Windsor Twp Securities | 9,900 | 9,900 | - | 0 | 0.21% |
| Elizabeth Twp Securities | 6,900 | 3,400 | 3,500 | 0 | 0.15% |
| Fairland School/Lease Securities | 378,000 | 189,000 | 189,000 | 0 | 8.01% |
| City of Ironton Securities | 134,100 | 134,100 | - | 0 | 2.84% |
| Rome Twp #2 Securities | 36,798 | 11,994 | 24,804 | 0 | 0.78% |
| Village of South Point Securities | 328,571 | 65,714 | 262,857 | 0 | 6.96% |
| Village of Hanging Rock Securities | 21,100 | 16,900 | 4,200 | 0 | 0.45% |
| City of Ironton Securities #2 | 69,180 | - | 69,180 | 0 | 1.47% |
| Village of South Point | 321,429 | 53,571 | 107,142 | 160,716 | 6.81% |
| Aid Township | 54,080 | 27,040 | 27,040 | 0 | 1.15% |
| Village of Coal Grove Securities | 99,500 | 24,100 | 49,700 | 25,700 | 2.11% |
| Village of South Point 2016 | 242,000 | 38,123 | 78,840 | 125,037 | 5.13% |
| Union Township Securities | 42,500 | 8,100 | 16,800 | 17,600 | 0.90% |
| Upper Township Securities | 23,000 | 4,400 | 9,100 | 9,500 | 0.49% |
| Upper Township Securities #2 | 42,000 | 8,000 | 16,600 | 17,400 | 0.89% |
| Commissioners Securities | 38,480 | 38,480 | - | - | 0.82% |
| Commissioners Dome Securities | 12,360 | 6,120 | 6,240 | - | 0.26% |
| EMS #2 Securities | 49,430 | 24,470 | 24,960 | - | 1.05% |
| Sheriff Securities | 60,140 | 29,772 | 30,368 | - | 1.27% |
| Building Securities | 5,149 | 5,149 | - | - | 0.11% |
| 911 Securities | 29,080 | 14,400 | 14,680 | - | 0.62% |
| Ambulance Securities | 111,638 | 55,404 | 56,234 | - | 2.36% |
| Sewer Securities | 203,328 | 66,274 | 137,054 | - | 4.31% |
| Jail Improvement Securities | 19,932 | 6,497 | 13,435 | - | 0.42% |
| Real Estate Securities | 79,000 | 26,000 | 53,000 | - | 1.67% |
| Elections Equipment Securities | 33,700 | 5,485 | - | 28,215 | 0.71% |
| Commissioners Vehicle Sheriff Securities | 109,190 | 26,395 | 72,889 | 9,906 | 2.31% |
| Commissioners Vehicle EMS Securities | 253,328 | 61,234 | 126,633 | 65,461 | 5.37% |
| Commissioners Vehicle Sheriff Securities #2 | 39,198 | 9,475 | 29,723 | - | 0.83% |
| Commissioners Software Securities | 200,000 | 38,240 | 79,081 | 82,679 | 4.24% |
| Commisioners/Cruiser Sheriff | 235,641 | 45,055 | 93,173 | 97,413 | 4.99% |
| Commissioners/911 Equipment | 67,284 | 12,865 | 26,604 | 27,815 | 1.43% |
| Commissioners Dog Pound Vehicle | 32,000 | 6,118 | 12,653 | 13,229 | 0.68% |
| | $ 4,721,316 | $ 1,400,055 | $ 2,145,590 | $ 1,175,671 | 100.00% |

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

### A. Primary Government (Continued)

***Investments:***

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The previous table identifies the County's recurring fair value measurements as of December 31, 2016. All investments of the County are valued using quoted market prices (Level 2 inputs).

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County limits their investments to those authorized by State statute. All government securities are unrated.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's investment policy allows investments in U.S Treasury Obligations, Federal Agency Obligations, Repurchase Agreements, Commercial Paper, Bankers' Acceptances, Municipal Obligations, Bank Deposits, State Pool, Registered Investment Companies (Mutual Funds), Corporate Bonds, Certificates of Deposit or within financial institutions with the State of Ohio as designated by the Federal Reserve Board and other investments permitted by the Ohio Revised Code. The County invested 100% in government securities during 2016.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investments are held in the name of the County.

### B. Component Units

At its fiscal year-end, the carrying amount of Tri-State Industries' deposits was $7,668. The entire amount was covered by federal deposit insurance.

At its fiscal year-end, the carrying amount of Choices, Inc.'s deposits was $32,282. The entire amount was covered by federal deposit insurance.

At December 31, 2016, the carrying amount of the Lawrence County Port Authority's deposits was $375,497. The entire amount was covered by federal depository insurance.

At December 31, 2016, the Lawrence County Transportation Improvement District's deposit balance was $14,074 which is held in Lawrence County's deposit and investment pool.

## NOTE 4- BUDGETARY BASIS FUND BALANCES

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances and funds included as part of the General Fund for cash reporting purposes, but excluded for budgetary purposes. The table below presents those differences for the County's major funds:

| | General Fund | Board of Developmental Disabilities | Job and Family Services | Motor Vehicle Gasoline Tax |
|---|---|---|---|---|
| Budgetary Basis Fund Balances | $2,039,569 | $5,146,911 | $181,836 | $2,880,171 |
| Encumbrances | 130,883 | 4,078 | 11,634 | 285,400 |
| Excluded Funds for Budget Purposes | 985,086 | - | - | - |
| Fund Cash Balances | $3,155,538 | $5,150,989 | $193,470 | $3,165,571 |

## NOTE 5 - PROPERTY TAX

Property taxes include amounts levied against all real, and public utility property located in the County. Property tax revenue received during 2016 for real and public utility property taxes represents collection of 2015 taxes.

2016 real property taxes are levied after October 1, 2015 on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are intended to finance 2017.

Public utility property currently is assessed at varying percentages of true value; public utility property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The assessed value for the taxes levied in 2016 was $1,242,815,920 of which real property represented 74 percent ($914,091,460) of the total and public utility property represented 26 percent ($328,724,460) of the total. The full tax rate for all County operations for taxes collected in 2016 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.

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

## NOTE 6 - RISK MANAGEMENT

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

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

**NOTE 6 - RISK MANAGEMENT (Continued)**

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

| Policy Type | Annual/ Aggregate Coverage | Deductible |
|---|---|---|
| General Liability | $1,000,000/$3,000,000 | $0 |
| Public Officials Liability | $1,000,000/$3,000,000 | $5,000 |
| Law Enforcement | $1,000,000/$3,000,000 | $25,000-Jail |
| | | $5,000-All Other |
| Auto Liability | $1,000,000 per occurrence | Per Schedule |
| Pollution Liability | $100,000 | $1,000 |
| All Risk Blanket Property | Building and Contents per Schedule | $1,000 |
| Flood (Zone A coverage) | $5,000,000 | $25,000 |
| Extra Expense | $1,000,000 | $1,000 |
| Personal Property of Others | $1,000,000 | $1,000 |
| Earthquake | $5,000,000 | $25,000 |
| Electronic Data Processing Equipment | $500,000 | $1,000 |
| Blanket Bond | $250,000 | $0 |
| Elected Officials Bond | Per Bond Schedule | $0 |
| Boiler and Machinery | $45,017,423 | $1,000 |
| Inland Marine | $4,226,944 | $1,000 |
| Auto Comprehensive | Per Schedule | Per Schedule |
| Auto Collision | Per Schedule | Per Schedule |
| Employees Benefits Liability | $1,000,000/$3,000,000 | $0 |

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 2016, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see note 12). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

**NOTE 7 - PERMISSIVE SALES AND USE TAX**

In February 1983, the Tax Commissioners adopted by resolution a one percent Permissive Sales and Use Tax. In April 1998 a one half percent Permissive Sales and Use Tax, as allowed by Sections 5739.02 and 5742.02, Revised Code was also adopted. Sales and use tax revenue for 2016 amounted to $9,103,469 and is recorded in the General Fund.

## NOTE 8 – RETIREMENT SYSTEM

### Net Pension Liability

Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the County's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Under the cash basis of reporting, the County does not record a long-term net pension liability for the proportionate share of each plan's unfunded benefits.

### Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

**NOTE 8 – RETIREMENT SYSTEM (Continued)**

**Plan Description – Ohio Public Employees Retirement System (OPERS)** (continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

| **Group A**<br>Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | **Group B**<br>20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | **Group C**<br>Members not in other Groups and members hired on or after January 7, 2013 |
|---|---|---|
| **State and Local** | **State and Local** | **State and Local** |
| **Age and Service Requirements:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| **Formula:**<br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | **Formula:**<br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | **Formula:**<br>2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| **Public Safety** | **Public Safety** | **Public Safety** |
| **Age and Service Requirements:**<br>Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | **Age and Service Requirements:**<br>Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | **Age and Service Requirements:**<br>Age 52 with 25 years of service credit or Age 56 with 15 years of service credit |
| **Law Enforcement** | **Law Enforcement** | **Law Enforcement** |
| **Age and Service Requirements:**<br>Age 52 with 15 years of service credit | **Age and Service Requirements:**<br>Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | **Age and Service Requirements:**<br>Age 48 with 25 years of service credit or Age 56 with 15 years of service credit |
| **Public Safety and Law Enforcement** | **Public Safety and Law Enforcement** | **Public Safety and Law Enforcement** |
| **Formula:**<br>2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | **Formula:**<br>2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | **Formula:**<br>2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**NOTE 8 – RETIREMENT SYSTEM (Continued)**

**Plan Description – Ohio Public Employees Retirement System (OPERS)** (continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | State and Local | Public Safety | Law Enforcement |
|---|---|---|---|
| **2016 Statutory Maximum Contribution Rates** | | | |
| Employer | 14.0 % | 18.1 % | 18.1 % |
| Employee | 10.0 % | * | ** |
| **2016 Actual Contribution Rates** | | | |
| Employer: | | | |
| Pension | 12.0 % | 16.1 % | 16.1 % |
| Post-employment Health Care Benefits | 2.0 | 2.0 | 2.0 |
| Total Employer | 14.0 % | 18.1 % | 18.1 % |
| Employee | 10.0 % | 12.0 % | 13.0 % |

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.
** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution to OPERS was $2,823,697 for fiscal year 2016.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – County licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

**NOTE 8 – RETIREMENT SYSTEM (Continued)**

***Plan Description - State Teachers Retirement System (STRS)*** *(continued)*

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.5 percent of the 13 percent member rate goes to the DC Plan and the remaining 1.5 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2015, the employer rate was 14 percent and the member rate was 12 percent of covered payroll. The statutory employer rate for fiscal year 2016 and subsequent years is 14 percent. The statutory member contribution rate increased to 13 percent on July 1, 2015, and increased to 14 percent on July 1, 2016. The 2016 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was $106,772 for 2016.

**NOTE 8 – RETIREMENT SYSTEM (Continued)**

***Net Pension Liability***

The net pension liability for OPERS was measured as of December 31, 2015, and the net pension liability for STRS was measured as of July 1, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the respective measurement dates. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | OPERS | STRS | Total |
|---|---|---|---|
| Proportion of the Net Pension Liability Current Measurement Date | 0.14778100% | 0.00747028% | |
| Proportion of the Net Pension Liability Prior Measurement Date | 0.14659500% | 0.00727690% | |
| Change in Proportionate Share | 0.00118600% | 0.00019338% | |
| Proportionate Share of the Net Pension Liability | $25,597,532 | $2,500,528 | $28,098,060 |

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Wage Inflation | 3.75 percent |
| Future Salary Increases, including inflation | 4.25 to 10.05 percent including wage inflation at 3.75% |
| COLA or Ad Hoc COLA | Pre January 7, 2013: 3.00% simple<br>Post January 7, 2013: 3.00% simple through 2018, then 2.80% simple |
| Investment Rate of Return | 8 percent |
| Actuarial Cost Method | Individual Entry Age |

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used, set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

## NOTE 8 – RETIREMENT SYSTEM (Continued)

***Actuarial Assumptions – OPERS*** *(continued)*

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(b) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed Income | 23.00 % | 2.31 % |
| Domestic Equities | 20.70 | 5.84 |
| Real Estate | 10.00 | 4.25 |
| Private Equity | 10.00 | 9.25 |
| International Equities | 18.30 | 7.40 |
| Other investments | 18.00 | 4.59 |
| Total | 100.00 % | 5.27 % |

***Discount Rate*** The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOTE 8 – RETIREMENT SYSTEM (Continued)**

***Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|---|---|---|---|
| County's proportionate share of the net pension liability | $40,783,123 | $25,597,532 | $12,788,968 |

***Changes between Measurement Date and Report Date***

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the County's net pension liability is expected to be significant.

***Actuarial Assumptions – STRS***

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.75 percent |
| Projected salary increases | 2.75 percent at age 70 to 12.25 percent at age 20 |
| Investment Rate of Return | 7.75 percent, net of investment expenses |
| Cost-of-Living Adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date. |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

**NOTE 8 – RETIREMENT SYSTEM (Continued)**

***Actuarial Assumptions – STRS*** (continued)

| Asset Class | Target Allocation | 10 Year Expected Nominal Rate of Return |
|---|---|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | 1.00 | 3.00 |
| Total | 100.00 % | |

***Discount Rate*** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

***Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|---|---|---|
| County's proportionate share of the net pension liability | $ 3,322,998 | $ 2,500,528 | $ 1,806,726 |

***Changes Between Measurement Date and Report Date*** In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease the County's net pension liability is expected to be significant.

## NOTE 9 – POSTEMPLOYMENT BENEFITS

***Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

**NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)**

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the County's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was $403,385, $409,963, and $380,681, respectively. The full amount has been contributed for 2016, 2015 and 2014.

***State Teachers Retirement System***

Plan Description – Certified teachers employed by the school for Developmental Disabilities participate in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio did not allocate any employer contributions to post-employment health care. The County's contributions for health care for the years ended December 31, 2016, 2015, and 2014 were $0, $0, and $7,977 respectively. The full amount has been contributed 2016, 2015, and 2014.

## NOTE 10 - DEBT OBLIGATIONS

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying basic financial statements. However, information regarding such changes in the County's long-term obligations during 2016 is as follows:

| Governmental Long-Term Obligations: | Outstanding 12/31/2015 | Additions | Deletions | Outstanding 12/31/2016 | Due In One Year |
|---|---|---|---|---|---|
| Series 2013 Ambulance Acquisition Bonds 2.00% | $ 73,421 | $ - | $ 23,991 | $ 49,430 | $ 24,470 |
| Series 2013 County Building Improvement Bonds 2.00% | 10,198 | - | 5,049 | 5,149 | 5,149 |
| Series 2013 Police Cruiser Acquisistion Bonds 2.00% | 89,329 | - | 29,189 | 60,140 | 29,772 |
| Series 2013 Building Improvement Bonds 2.00% | 18,360 | - | 6,000 | 12,360 | 6,120 |
| Series 2013 Equipment Acquisition Bonds 2.00% | 43,200 | - | 14,120 | 29,080 | 14,400 |
| Series 2014 Ambulance Acquisition Bonds 1.50% | 166,222 | - | 54,584 | 111,638 | 55,404 |
| Series 2014 County Jail Improvements Bonds 2.25% | 26,286 | - | 6,354 | 19,932 | 6,497 |
| Series 2014 Road Improvements Bonds 2.29% | 1,400,000 | - | 400,000 | 1,000,000 | 400,000 |
| Series 2014 Real Estate Acquisition Bonds 2.25% | 104,000 | - | 25,000 | 79,000 | 26,000 |
| Series 2015 Police Vehicle Acquisition Bonds 2.25% | 48,464 | - | 9,266 | 39,198 | 9,475 |
| Series 2015 Equipment Acquisition Bonds 2.25% | 135,000 | - | 25,810 | 109,190 | 26,395 |
| Series 2015 EMS Equipment Acquisition Bonds 2.25% | 313,215 | - | 59,887 | 253,328 | 61,234 |
| Series 2016 911 Equipment Acquisition Bonds 2.25% | - | 67,284 | - | 67,284 | 12,865 |
| Series 2016 IT Equipment Acquisition Bonds 2.25% | - | 200,000 | - | 200,000 | 38,240 |
| Series 2016 Sheriff Vehicle Acquisition Bonds 2.25% | - | 235,641 | - | 235,641 | 45,055 |
| Series 2016 Dog Pound Vehicle Acquisition Bonds 2.25% | - | 32,000 | - | 32,000 | 6,118 |
| Subtotal General Obligation Bonds | 2,427,695 | 534,925 | 659,250 | 2,303,370 | 767,194 |
| Lease Financing Agreement 2010 5.877% | 791,295 | - | 79,364 | 711,931 | 83,627 |
| OPWC Loan 1995 0.00% | 5,000 | - | 5,000 | - | - |
| Long Term Notes: | | | | | |
| Various Purpose Bond Anticipation Note 2010 3.03% | 240,906 | - | 55,603 | 185,303 | 58,578 |
| Road Improvement BAN 2011 4.73% | 26,176 | - | 3,874 | 22,302 | 4,058 |
| Various Purpose BAN 2012 2.00% | 76,200 | - | 37,720 | 38,480 | 38,480 |
| Total Governmental Long-Term Obligations | $ 3,567,272 | $ 534,925 | $ 840,811 | $ 3,261,386 | $ 951,937 |

| Union-Rome Sewer Fund Obligations: | Outstanding 12/31/2015 | Additions | Deletions | Outstanding 12/31/2016 | Due In One Year |
|---|---|---|---|---|---|
| Sewer 2007 3.25% OWDA Loan | $ 22,407,681 | $ - | $ 793,137 | $ 21,614,544 | $ 801,088 |
| OWDA Loan Agreement #5423, 2010, 0% | 1,084,619 | - | 62,836 | 1,021,783 | 63,466 |
| OWDA Loan 5424 | 507,732 | - | 29,415 | 478,317 | 29,710 |
| Subtotal OWDA Loans | 24,000,032 | - | 885,388 | 23,114,644 | 894,264 |
| Sewer Bonds Series 2014 | 268,144 | - | 64,815 | 203,329 | 66,274 |
| OPWC Loan 1995 0.00% | 145,137 | - | 54,117 | 91,020 | 54,117 |
| OPWC Loan 2009 0.00% | 385,000 | - | 27,500 | 357,500 | 27,500 |
| Subtotal Non OWDA | 798,281 | - | 146,432 | 651,849 | 147,891 |
| Total Union-Rome-Sewer Fund Obligations | $ 24,798,313 | $ - | $ 1,031,820 | $ 23,766,493 | $ 1,042,155 |

**NOTE 10 - DEBT OBLIGATIONS (Continued)**

The Ambulance Acquisition Bonds Series 2013 in the amount of $120,000 were issued in October 2013 with a final maturity date of October 2018. These bonds are being repaid from the SEOMS Ambulance Debt Service Fund.

The Building Improvement Acquisition bonds in the amount of $20,000 were issued in October 2013 with a final maturity date of October 2017. These bonds are being repaid from the Building Improvement Debt Service Fund.

The Police Cruiser Acquisition Bonds Series 2013 in the amount of $146,000 were issued in October 2013 with a final maturity date of October 2018. These bonds are being repaid from the Cruisers Debt Service Fund.

The Building Improvement Bonds Series 2013 in the amount of $30,000 were issued in April 2013 with a final maturity date of June 2018. These bonds are being repaid from the General Debt Service Fund.

The Equipment Acquisition Bonds Series 2013 in the amount of $70,605 were issued in December 2013 with a final maturity date of December 2018. These bonds are being repaid from the Disaster Services Debt Service Fund.

The Ambulance Acquisition Bonds Series 2014 in the amount of $220,000 were issued in April 2014 with a final maturity date of April 2018. These bonds are being repaid from the 2014 Ambulance Debt Service Fund.

The County Jail Improvements Bonds Series 2014 in the amount of $32,500 were issued in July 2014 with a final maturity date of July 2019. These bonds will be repaid from the Jailhouse Electrical Debt Service Fund.

The Road Improvements Bonds Series 2014 in the amount of $2,000,000 were issued in February 2014 with a final maturity date of February 2019. These are being repaid from the Motor Vehicle Gasoline Tax Fund.

The Real Estate Acquisition Bonds Series 2014 in the amount of $129,000 were issued in December 2014 with a final maturity date of December 2019. These bonds are being repaid from the Mended Reeds Debt Service Fund.

The Police Acquisition Series 2015 in the amount of $48,464 were issued in November 2015 with a final maturity date of November 2020. These bonds are being repaid from the Sheriff's Van Debt Service Fund.

The Equipment Acquisition Bonds Series 2015 in the amount of $135,000 were issued in July 2015 with a final maturity date of July 2020. These bonds are being repaid from the Board of Elections Debt Service Fund.

The EMS Equipment Acquisition Bonds Series 2015 in the amount of $313,215 were issued in November 2015 with a final maturity date of November 2020. These bonds are being repaid from the EMS Debt Service Fund.

The 911 Equipment Acquisition Bonds Series 2016 in the amount of $67,284 were issued in October 2016 with a final maturity date of October 2021. These bonds will be repaid from the 911 Equipment Debt Service Fund.

The IT Equipment Acquisition Bonds Series 2016 in the amount of $200,000 were issued in September 2016 with a final maturity date of September 2021. These bonds will be repaid from the IT Equipment Debt Service Fund.

The Sheriff Vehicle Acquisition Bonds Series 2016 in the amount of $235,641 were issued in October 2016 with a final maturity date of October 2021. These bonds will be repaid from the Sheriff Vehicle Debt Service Fund.

The Dog Pound Vehicle Acquisition Bonds Series 2016 in the amount of $32,000 were issued in October 2016 with a final maturity date of October 2021. These bonds will be repaid from the Dog Pound Debt Service Fund.

The County entered into a lease financing agreement in February 2010 in the amount of $820,522 for the purpose of various energy conservation improvements. In 2012 an addition was made to this lease in the amount of $215,000. The lease financing agreement is being retired from the debt service fund.

**NOTE 10 - DEBT OBLIGATIONS (Continued)**

The County received an Ohio Public Works Commission loan in 1995 in the amount of $199,937 to improve storm drainage in the eastern part of the County. The debt was being paid from the Proctorville Storm Debt Service Fund and the final payment was made in 2016.

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

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

The County Issued Various Purpose BAN in the amount of $185,000 on June 7, 2012. This long term note is being retired from the General Debt Service.

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

| Year Ending December 31, | General Obligation Principal | General Obligation Interest | Lease Financing Agreement Principal | Lease Financing Agreement Interest | Long-Term Note Principal | Long-Term Note Interest |
|---|---|---|---|---|---|---|
| 2017 | $ 767,194 | $ 57,573 | $ 83,627 | $ 39,878 | $ 101,116 | $ 14,329 |
| 2018 | 768,988 | 41,061 | 88,123 | 35,382 | 65,962 | 7,643 |
| 2019 | 442,247 | 24,211 | 92,864 | 30,641 | 69,464 | 4,140 |
| 2020 | 213,143 | 9,601 | 79,611 | 25,642 | 4,661 | 451 |
| 2021 | 111,798 | 2,513 | 65,390 | 21,610 | 4,882 | 231 |
| 2022-2026 | - | - | 302,316 | 45,684 | - | - |
| | $ 2,303,370 | $ 134,959 | $ 711,931 | $ 198,837 | $ 246,085 | $ 26,794 |

The County received an OWDA Loan (#4781) dated 2007 for Union Rome Wastewater Treatment Plant improvements in the total amount of $24,740,171. This loan has a 30 year payment period and will be paid off in July 2040. This debt is being paid from sewer charges.

The County received two OWDA loans to assist with the Union Rome Collection System Rehabilitation project. The first loan was for a total amount of $2,002,432 and was repaid with ARRA principal forgiveness grants in prior years. The second loan (#5423) was for a total amount of $1,329,787 with a 20 year payment period with a final payment due in July 2031.

The County received two OWDA loans to assist with the Union Rome Wastewater Treatment Plant Biosolids project. The first loan was for a total amount of $732,403 and was repaid with ARRA principal forgiveness grants in prior years. The second loan (#5424) was for a total amount of $622,500 with a 20 year payment period with a final payment due in July 2031.

The County issued Sewer Bonds in the amount of $331,533 on May 15, 2014 to improve the sewer system in the County. These bonds are being repaid from sewer charges.

**NOTE 10 - DEBT OBLIGATIONS (Continued)**

In connection with the OWDA loans and Sewer Bonds, the County has pledged future customer revenues of the Union-Rome Sewer Fund net of specified operating expenses, to repay these loans. The loans are payable, through final maturities, from net revenues applicable to the Union-Rome Sewer Fund. Total principal and interest remaining on these loans at December 31, 2016 was $23,317,973 and $2,879,412, respectively. The net revenue available for these loans was $1,214,765 and principal and interest paid was $1,194,028. The coverage ratio for the loans was 1.04 for the year ended December 31, 2016.

The County received Ohio Public Works Commission loans in 1995 totaling $1,082,341 to complete three phases of the Union Rome equalization project. The debt is being paid from sewer charges.

The County received an Ohio Public Works Commission loan in 2009 in the amount of $550,000 for wastewater treatment plant improvements. The debt is being paid from sewer charges.

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

| Year Ending December 31, | OPWC Principal | Sewer Bonds Principal | Sewer Interest Interest | OWDA Principal | OWDA Interest |
|---|---|---|---|---|---|
| 2017 | $ 81,617 | $ 66,274 | $ 4,575 | $ 894,264 | $ 228,918 |
| 2018 | 61,636 | 67,765 | 3,084 | 903,229 | 219,951 |
| 2019 | 30,267 | 69,290 | 1,559 | 912,284 | 210,897 |
| 2020 | 27,500 | - | - | 921,430 | 201,751 |
| 2021 | 27,500 | - | - | 930,667 | 192,512 |
| 2022-2026 | 137,500 | - | - | 4,795,169 | 820,735 |
| 2027-2031 | 82,500 | - | - | 5,040,406 | 575,510 |
| 2032-2036 | - | - | - | 4,736,547 | 330,050 |
| 2037-2040 | - | - | - | 3,980,648 | 89,870 |
| | $ 448,520 | $ 203,329 | $ 9,218 | $ 23,114,644 | $ 2,870,194 |

At December 31, 2016, the County's overall legal debt margin was $26,884,898 with an unvoted debt margin of $12,428,159.

***Component Units***

**Lawrence County Port Authority**

On October 11, 2005, the Port Authority entered into a loan agreement with Oak Hill Bank (now Wesbanco). The Loan Agreement is for $4,158,061 for twenty years. The terms of the note provide among other things, for repayment in equal monthly installments including principal and an adjustable interest rate not to go higher than 6% interest. The balance of the loan as of December 31, 2016 was $2,155,991. The note matures in October 2026.

On September 11, 2007, the Port Authority entered into a loan agreement for $600,000 with the State of Ohio in the Pioneer 166 Loan Program. The loan consists of monthly installments including principal and 3% interest. The balance of the loan as of December 31, 2016 was $263,391. The note matures in October 2022.

On December 7, 2009, the Port Authority entered into a loan agreement with Liberty Federal Bank to finance EMS stations. The Loan Agreement is for $338,250 for ten years and is collateralized by the associated assets being financed. The terms of the note provide among other things, for repayment in equal monthly installments including principal and 4.37% interest. The balance of the loan as of December 31, 2016 is $119,715. The note matures in January 2020.

**NOTE 10 - DEBT OBLIGATIONS (Continued)**

***Component Units*** (continued)

On July 19, 2012, the Port Authority entered into a loan agreement with Ohio River Valley Bank (now Citizens Deposit Bank). The Loan Agreement is for $700,000 for fifteen years and is collateralized by an open-end mortgage on the property. The terms of the note provide among other things, for repayment in equal monthly installments including principal and 3.30% initial interest, adjusting every 5 years based on the New York Prime Rate as published by the Wall Street Journal. The balance of the loan as of December 31, 2016 is $585,584. The note matures in August 2027.

**Choices, Inc.**
Choices, Inc. entered into seven notes payable with Liberty Federal Savings Bank. The notes were issued at a 5.50% interest rate and have an outstanding balance of $185,772 at June 30, 2016.

Choice, Inc. entered into a note payable with the Ironton & Lawrence County CAO. The note was issued at a 0% interest rate and had an outstanding balance of $14,075 at June 30, 2016.

**Lawrence County Transportation Improvement District**
In 2015, the County provided an interest-free loan to the District in the amount of $500,000 in anticipation of grant revenue. This amount was paid back in full in 2016 when the District was reimbursed by the grantor agency.

**NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS**

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

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

Each participating county's influence is limited to the number of members each appoints to the Board. The Board exercises total control of the budgeting, appropriation, contracting, and management. Revenues are provided by state and federal grants awarded to the multi-county board. Continued existence of the Board is not dependent on the County's continued participation, no debt exists, and the County does not have an equity interest in the Board.

**Private Industry Council (PIC)**

The PIC is a jointly governed organization consisting of representatives from the private and public sectors of Athens, Gallia, Hocking, Lawrence, Meigs, Perry, and Vinton Counties appointed by the County Commissioners from each county. The advisory council is the Governing Board of the PIC. The Board sets policies for the private industry council. State grants are received from the Ohio Department of Job and Family Services in the name of the Ironton-Lawrence County Community Action Organization, which acts as the council's administrative agent. The grants are disbursed among the participating counties based on population. The County does not have any financial interest or responsibility. No contributions were provided to the Board by Lawrence County during 2016.

## NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

### Ironton-Lawrence County Community Action Organization (CAO)

The CAO is an IRS 501(c)(3) non-profit organization established to plan, develop, and coordinate programs and services designed to combat problems of poverty and seek the elimination of the conditions of poverty that affect the residents of Lawrence County. The CAO administers Community Development and Litter Control Block Grants for Lawrence County as well as similar grants for the City of Ironton. The CAO Board is comprised of public officials from the County, municipalities, villages, and townships within the County. Other members are representatives of the poor in the area served and officials or members of the private sector of the community. The CAO controls its own operations and budget. In 2016, the County paid the CAO $96,841 for various services which include: provision of workforce investment act services, residential development services, the planning commission, and floodplain management.

### The KYOVA Interstate Planning Commission

The KYOVA Interstate Planning Commission was established by joint resolution adopted by the State of West Virginia and Ohio. The objectives and policies of the Commission are prescribed in the West Virginia State Code, Chapter 8, Article 4C-4 and the Ohio Revised Code, Section 713.30 et seq. Membership is comprised of elected or appointed county and municipal officials or their officially appointed designees as determined by the three county governing bodies of Cabell and Wayne Counties, West Virginia, and Lawrence County, Ohio, and by the governing bodies of the cities of Huntington, West Virginia, and Ironton, Ohio. The Commission is not dependent upon Lawrence County for its continued existence. In 2016, the County made $22,962 in contributions to the Commission.

### Ohio Valley Regional Development Commission

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

The Commission was formed to influence favorably the future economic, physical and social development of Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton Counties. Membership is comprised of elected and appointed county, municipal and township officials or their officially appointed designees, as well as members of the private sector, community action agencies and regional planning commissions. The Commission is not dependent upon Lawrence County for its existence. In 2016, the County made $11,092 in contributions to the Commission.

## NOTE 12 - PUBLIC ENTITY SHARED RISK POOLS

### Buckeye Joint-County Self-Insurance Council

The Buckeye Joint-County Self-Insurance Council is a public entity shared risk pool that serves Athens, Hocking, Jackson, Lawrence, Meigs, Monroe, Morgan, Noble, Perry, Pike, Vinton, and Washington Counties. The Council was formed as an Ohio non-profit corporation for the purpose of establishing a shared risk pool to provide general liability, law enforcement, professional, and fleet insurance. Member counties provide operating resources to the Council based on actuarially determined rates. The degree of control exercised by any participating government is limited to its representation on the Board. The Governing Board is composed of at least one County Commissioner from each of the participating counties. The Governing Board annually elects officers which include a President, Vice President, Second Vice President and two Governing Board Members. The expenditures and investment of funds by the officers must be approved by the Governing Board unless specific limits have been set by the Governing Board to permit otherwise. In 2016, the County made $344,459 in payments to the Council.

**NOTE 12 - PUBLIC ENTITY SHARED RISK POOLS (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 2016, Lawrence County paid $379,916 to the Council for basic insurance coverage and claims.

**County Commissioners Association of Ohio Workers' Compensation Group Rating Plan**

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

**NOTE 13 - JOINT VENTURE**

**The Scioto-Lawrence Counties Joint Solid Waste District**

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

Lawrence County contributed $264,886 to the District during 2016. The Joint Venture was funded by Special Assessment monies collected. Continued existence of the District is dependent upon the County's continued participation; however, the County does not have an equity interest in the District. The District is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit to or burden on the County.

**NOTE 14 - RELATED ORGANIZATION**

**Briggs-Lawrence County Public Library**

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

## NOTE 15 - CONTINGENT LIABILITIES

### A. Primary Government

The County received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the County at December 31, 2016, if applicable, cannot be determined at this time, except as disclosed in the following paragraph.

A finding for recovery against the Temporary Assistance for Needy Family Federal Program in the amount of $380,080 was identified by the Ohio Department of Job and Family Services (ODJFS) as a result of a special audit performed by ODJFS. ODJFS approved a repayment plan with annual payments of $78,000 beginning in 2016. The payment made during 2016 totaled $78,000.

### B. Component Units

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

## NOTE 16 - RELATED PARTY TRANSACTIONS

Tri-State Industries, Inc., a component unit of Lawrence County, received contributions from the County DD. In Tri-State Industries, Inc.'s fiscal year 2016, these contributions were $865,998.

In 2015, the Lawrence County Transportation Improvement District, a component unit of Lawrence County, received an interest free loan from the County in the amount of $500,000 in anticipation of grant revenue. In 2016, the Lawrence County Transportation Improvement District repaid this loan in full.

## NOTE 17 - INTERFUND ACTIVITY

### Transfers

| | Transfers In | Transfers Out |
|---|---|---|
| General Fund - Major Fund | $ 37,875 | $ 3,561,541 |
| Motor Vehicle Gasoline Tax Fund - Major Fund | - | 124,481 |
| Job and Family Service Fund - Major Fund | 150,885 | 125,330 |
| Other Non-Major Governmental Funds | 3,884,301 | 256,710 |
| Total Governmental Funds | 4,073,061 | 4,068,062 |
| Union Rome Enterprise Fund | - | 4,999 |
| Grand Total | $ 4,073,061 | $ 4,073,061 |

Transfers are used to move revenues from the fund that collects them in accordance with statute or budget to the fund that is required to expend them in accordance with statute or budget; to segregate money for anticipated capital projects; to provide resources for current operations; or to service debt. Transfers into the General Fund were for court-ordered transfers from the County Court Improvement and Juvenile/Probate funds. Transfers from the Motor Vehicle Gasoline Tax Fund and other governmental funds to other governmental funds were for debt service and capital improvement projects. Transfer from Job and Family Services Fund to Child Support fund was to cover Child Support Enforcement Agency state match ceiling excess. Transfer from the Union Rome Enterprise fund was for debt service. All transfers were done in accordance with the Ohio Revised Code.

## NOTE 17 - INTERFUND ACTIVITY (Continued)

### Advances

| | Advances In | Advances Out |
|---|---|---|
| General Fund - Major Fund | $ - | $ 25,768 |
| Other Non-Major Governmental Funds | 25,768 | - |
| Total Governmental Funds | 25,768 | 25,768 |
| Grand Total | $ 25,768 | $ 25,768 |

Advances were made from the General Fund to Other Governmental Funds in 2016 in order to cover deficit fund balances for grant funds. Once monies are received in the grant funds, the amounts will be repaid.

## NOTE 18 - COMPLIANCE

The Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. Contrary to this requirement, the County elects to prepare its annual financial report in accordance with the cash basis of accounting. The County also did not file its annual financial report within sixty days as required by Ohio Revised Code Section 117.38 for cash basis entities.

## NOTE 19 – SIGNIFICANT COMMITMENTS

### *Encumbrances*

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

| | |
|---|---|
| Major Funds: | |
| General | $130,891 |
| Board of Developmental Disabilities | 4,078 |
| Job and Family Services | 11,634 |
| Motor Vehicle Gasoline Tax | 285,400 |
| Union Rome Sewer | 50,917 |
| Total Major Funds | 482,920 |
| Non-Major Funds: | |
| Real Estate Assessment Fund | $120,697 |
| IT Fund | 277,663 |
| Total Non-Major Funds | 398,360 |
| Total | $881,280 |

### *Contractual Commitments*

The County has entered into contracts for the following projects as of December 31, 2016:

| Project | Contract Amount | Amount Expended | Balance at 12/31/2016 |
|---|---|---|---|
| Finance and Payroll Software | $ 373,822 | $ 216,903 | $ 156,919 |

## NOTE 20 – NEW ACCOUNTING PRINCIPLES

For the fiscal year ended December 31, 2016, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants."

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the County; however, certain additional footnote disclosures were made.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the County.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the County.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose the certain information about the agreements including brief descriptive information such as the tax being abated, the authority under and mechanism by which tax abatements are provided, eligibility criteria, provisions for recapturing abated taxes, the types of commitments made by tax abatement recipients, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the County. Certain footnote disclosures would have been added to address the requirements of this Statement; however, there were no abatement agreements with the County. Also, abatement agreements that other governments have within the County were not significant in relation to the County.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the County.

## NOTE 21 – FUND BALANCES

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

| Fund Balances | General | Board of Developmental Disabilities | Job and Family Services | Motor Vehicle Gasoline Tax | All Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Nonspendable** | | | | | | |
| Unclaimed Monies | $ 208,051 | $ - | $ - | $ - | $ - | $ 208,051 |
| **Restricted for** | | | | | | |
| Developmental Disabilities | - | 5,150,989 | - | - | - | 5,150,989 |
| Job and Family Services | - | - | 193,470 | - | - | 193,470 |
| Motor Vehicle and Gas Tax | - | - | - | 3,165,571 | - | 3,165,571 |
| Real Estate Assessment | - | - | - | - | 658,784 | 658,784 |
| Child Support | - | - | - | - | 622,643 | 622,643 |
| EMS | - | - | - | - | 370,330 | 370,330 |
| Court Development | - | - | - | - | 333,157 | 333,157 |
| Care and Custody | - | - | - | - | 317,287 | 317,287 |
| Juvenile Court IV-D Contract | - | - | - | - | 304,670 | 304,670 |
| Common Pleas Court | - | - | - | - | 267,841 | 267,841 |
| County Court | - | - | - | - | 218,371 | 218,371 |
| Delinquent Taxes | - | - | - | - | 204,829 | 204,829 |
| Indigent Drivers | - | - | - | - | 161,843 | 161,843 |
| Juvenile and Probation | - | - | - | - | 270,337 | 270,337 |
| Children Services | | | | | 104,957 | 104,957 |
| Debt Service | - | - | - | - | 69,312 | 69,312 |
| Capital Projects | - | - | - | - | 1,243,894 | 1,243,894 |
| Other Purposes | - | - | - | - | 1,335,188 | 1,335,188 |
| Total Restricted | - | 5,150,989 | 193,470 | 3,165,571 | 6,483,443 | 14,993,473 |
| **Assigned to** | | | | | | |
| Future Year's Appropriations | 1,395,023 | | | | | 1,395,023 |
| Other Purposes | 803,486 | - | - | - | - | 803,486 |
| Total Assigned | 2,198,509 | - | - | - | - | 2,198,509 |
| **Unassigned** | 748,978 | - | - | - | - | 748,978 |
| Total Fund Balances | $ 3,155,538 | $ 5,150,989 | $ 193,470 | $ 3,165,571 | $ 6,483,443 | $ 18,149,011 |

**Lawrence County**
*Schedule of Federal Awards Expenditures*
*For the Year Ended December 31, 2016*

| Federal Grantor<br>Pass-Through Grantor<br>Program Title | Pass-Through Entity's Number | Federal CFDA Number | Disbursements | Non-Cash Disbursements |
|---|---|---|---|---|
| **United States Department of Agriculture** | | | | |
| *Passed Through Ohio Department of Education:* | | | | |
| Nutrition Cluster: | | | | |
| School Breakfast Program | 3L70 | 10.553 | $12,717 | $0 |
| National School Lunch Program | 3L60 | 10.555 | 23,321 | 152 |
| Total Nutrition Cluster | | | 36,038 | 152 |
| *Passed Through Ohio Department of Job and Family Services:* | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | G-1617-11-5534 | 10.561 | 363,703 | 0 |
| **Total United States Department of Agriculture** | | | **399,741** | **152** |
| **United States Department of Housing and Urban Development** | | | | |
| *Passed Through Ohio Development Services Agency:* | | | | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | B-F-14-1BN-1 | 14.228 | 70,681 | 0 |
| **Total United States Department of Housing and Urban Development** | | | **70,681** | **0** |
| **United States Department of Justice** | | | | |
| *Passed through the State of Ohio Office of Criminal Justice Services:* | | | | |
| Crime Victim Assistance: | | | | |
| Crime Victim Assistance | 2015-VOCA-19814828 | 16.575 | 92,549 | 0 |
| Crime Victim Assistance | 2017-VOCA-43558322 | 16.575 | 24,279 | 0 |
| Total Crime Victim Assistance | | | 116,828 | |
| Edward Byrne Memorial Justice Assistance Grant Program: | | | | |
| Drug/Major Crimes Task Force | 2015-JG-A01-6284 | 16.738 | 47,409 | 0 |
| **Total United States Department of Justice** | | | **164,237** | **0** |
| **United States Department of Transportation** | | | | |
| *Direct from the Federal Government:* | | | | |
| Airport Improvement Program | N | 20.106 | 26,717 | 0 |
| *Passed Through Ohio Department of Transportation:* | | | | |
| Highway Planning and Construction | PID #92291 | 20.205 | 47,726 | 0 |
| Highway Planning and Construction | PID #95421 | 20.205 | 514,076 | 0 |
| Highway Planning and Construction | PID #102203 | 20.205 | 35,467 | 0 |
| Highway Planning and Construction | PID #102205 | 20.205 | 20,235 | |
| Highway Planning and Construction | PID #102206 | 20.205 | 24,000 | 0 |
| Highway Planning and Construction | PID #102213 | 20.205 | 28,449 | 0 |
| Highway Planning and Construction | PID #102215 | 20.205 | 6,488 | 0 |
| | | | 676,441 | 0 |
| *Direct from the Federal Government:* | | | | |
| Interagency Hazardous Materials Public Sector Training and Planning Grants | N | 20.703 | 3,200 | 0 |
| **Total United States Department of Transportation** | | | **706,358** | **0** |
| **United States Department of Education** | | | | |
| *Passed Through Ohio Department of Education:* | | | | |
| Special Education Cluster: | | | | |
| Special Education_Grants to States | 3M20 | 84.027 | 65,040 | 0 |
| Special Education_Preschool Grants | 3C50 | 84.173 | 63,757 | 0 |
| Total Special Education Cluster | | | 128,797 | 0 |
| *Passed Through Ohio Department of Health:* | | | | |
| Speical Education - Grants for Infants and Families | N/A | 84.181 | 67,143 | 0 |
| **Total United States Department of Education** | | | **195,940** | **0** |

(continued)

**Lawrence County**
*Schedule of Federal Awards Expenditures*
*For the Year Ended December 31, 2016*

| Federal Grantor<br>Pass-Through Grantor<br>Program Title | Pass-Through Entity's Number | Federal CFDA Number | Disbursements | Non-Cash Disbursements |
|---|---|---|---|---|
| **United States Department of Health and Human Services** | | | | |
| *Passed Through Ohio Department of Developmental Disabilities:* | | | | |
| Social Services Block Grant | N/A | 93.667 | $42,184 | $0 |
| *Passed Through Ohio Department of Developmental Disabilities:* | | | | |
| Medical Assistance Program | N/A | 93.778 | 66,747 | 0 |
| *Passed Through Ohio Department of Job and Family Services:* | | | | |
| Temporary Assistance for Needy Families | G-1617-11-5534 | 93.558 | 1,649,671 | 0 |
| Promoting Safe and Stable Families | G-1617-11-5534 | 93.556 | 37,682 | 0 |
| Child Support Enforcement | G-1617-11-5534 | 93.563 | 524,624 | 0 |
| Adoption Assistance | G-1617-11-5534 | 93.659 | 479 | 0 |
| Stephanie Tubbs Jones Child Welfare Services Program | G-1617-11-5534 | 93.645 | 25,339 | 0 |
| Social Services Block Grant | G-1617-11-5534 | 93.667 | 998,928 | 0 |
| Chafee Foster Care Independence Program | G-1617-11-5534 | 93.674 | 4,770 | 0 |
| Medical Assistance Program | G-1617-11-5534 | 93.778 | 1,223,954 | 0 |
| Foster Care_Title IV-E | G-1617-11-5534 | 93.658 | 509,655 | 0 |
| Child Care and Development Block Grant | G-1617-11-5534 | 93.575 | 97,179 | 0 |
| **Total United States Department of Health and Human Services** | | | **5,181,212** | **0** |
| **United States Department of Homeland Security** | | | | |
| *Passed Through Ohio Emergency Management Agency:* | | | | |
| Emergency Management Performance Grants | N/A | 97.042 | 130,807 | 0 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | N/A | 97.036 | 507 | 0 |
| Hazard Mitigation Grant | N/A | 97.039 | 5,640 | 0 |
| **Total United States Department of Homeland Security** | | | **136,954** | **0** |
| **Total Federal Awards Expenditures** | | | **$6,855,123** | **$152** |

N/A - pass-through entity number not available.
N - direct from Federal government.

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

**Note A – Basis of Presentation**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal award activity of Lawrence County (the County) under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

**Note B – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note C – Community Development Block Grant (CDBG) Programs Without Continuing Compliance Requirements**

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low-to-moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Development Services Agency. During 2016, no loans were made or administrative costs incurred. There were no loans outstanding at December 31, 2016. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

**Note D – Matching Requirements**

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

**Note E – Food Donation**

The County reports commodities consumed on the Schedule at the fair market value. The County allocated donated food commodities to the respective program(s) that benefited from the use of those donated food commodities.

**Note F – Child Nutrition Cluster**

The County commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

**Note G – Ohio Department of Development Disabilities**

During the calendar year, the County Board of Developmental Disabilities received a settlement for the 2010 Cost Report and received a notice of liability owed for the 2011 Cost Report to the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA #93.778) in the amount of $907 and $1,046 respectively. The Cost Report Settlement payment/liability was for the settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. The revenue/liability is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in the prior reporting periods and the liability was invoiced by the Ohio Department of Developmental Disabilities.

**Note H – Transfer Between Federal Programs**

During 2016, the County made allowable transfers of $539,524 from the Temporary Assistance for Needy Families (93.558) program to the Social Services Block Grant (93.667) program. The amount reported for the Temporary Assistance for Needy Families program on the Supplementary Schedule excludes the amount transferred to the Social Services Block Grant program. The amount transferred to the Social Services Block Grant program is included in the federal program expenditures for these programs. The following table show the gross amount drawn for the Temporary Assistance for Needy Families program during 2016 and the amount transferred to the Social Services Block Grant program.

| | |
|---|---|
| Temporary Assistance for Needy Families | $2,189,195 |
| Social Services Block Grant | (539,524) |
| **Total Temporary Assistance for Needy Families** | **$1,649,671** |

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Lawrence County, Ohio (the County) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 27, 2017 wherein we noted the County followed the cash basis of accounting rather than accounting principles generally accepted in the United States of America. Our report includes a reference to another auditor who audited the financial statements of the Lawrence County Port Authority as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that is reported on separately by the auditor. The financial statements of Tri-State Industries and Choices, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Tri-State Industries or Choices, Inc.

## Internal Control Over Financial Reporting

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

**County's Response to Findings**

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

**Purpose of this Report**

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

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

September 27, 2017

**Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

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

**Report on Compliance for Each Major Federal Program**

We have audited Lawrence County's, Ohio (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The County's basic financial statements include the operations of the Lawrence County Port Authority, a discretely presented component unit, which expended $934,674 in federal awards which is not included in the County's schedule for the year ended December 31, 2016. Our audit, described below, did not include the operations of the Lawrence County Port Authority because the component unit engaged other auditors to perform an audit in accordance with the Uniform Guidance.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

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**Opinion on Each Major Federal Program**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

**Report on Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

September 27, 2017

## Section I – Summary of Auditor's Results

| | | |
|---|---|---|
| *Financial Statements* | | |
| Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | | Unmodified (Cash Basis) |
| Internal control over financial reporting: | | |
| | Material weakness(es) identified? | No |
| | Significant deficiency(ies) identified that are not considered to be material weaknesses? | No |
| Noncompliance material to financial statements noted? | | Yes |
| | | |
| *Federal Awards* | | |
| Internal control over major program(s): | | |
| | Material weakness(es) identified? | No |
| | Significant deficiency(ies) identified that are not considered to be material weaknesses? | No |
| Type of auditor's report issued on compliance for major programs: | | Unmodified |
| Any auditing findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | | No |
| Identification of major program(s): | | Temporary Assistance for Needy Families (CFDA #93.558); Medical Assistance Program (CFDA #93.778) |
| Dollar threshold used to distinguish between type A and type B programs: | | Type A: >$750,000<br>Type B: all others |
| Auditee qualified as low-risk auditee? | | No |

## Section II – Financial Statement Findings

**Finding 2016-001 – Noncompliance – Financial Reporting**

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

Further the report shall be certified by the proper officer or board and filed with the Auditor of State within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year. The Auditor of State may extend the deadline for filing a financial report and establish terms and conditions for any such extension. At the time the report is filed with the Auditor of State, the chief fiscal officer, except as otherwise provided in section 319.11 of the Revised Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

Ohio Administrative Code 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the County prepared its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures. Pursuant to Ohio Revised Code Section 117.38, the County is subject to fines and various other administrative remedies. It was also noted that the County's report was not filed until substantially after the required deadline. The County should consider filing on a GAAP basis in order to comply with state regulations. The County should also take the necessary steps to ensure its annual financial report is submitted to the Auditor of State within sixty days of fiscal year end.

**Client Response:**
See Corrective Action Plan

## Section III – Federal Award Findings and Questioned Costs

None.

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|---|---|---|---|
| 2016-001 | After doing a cost benefit analysis, it has been determined that there is no true benefit for the County to incur the costs to prepare (and have audited) its financial statements on the GAAP basis. The County would rather use that money for the benefit of public safety and keep Sheriff's deputies on the road. | No completion date established | County Auditor |

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain*** |
|---|---|---|---|
| Finding 2015-001 | Noncompliance with ORC Section 117.38/OAC Section 117-2-03(B) – Failure to Report on Required Accounting Basis | No | Reissued as Finding 2016-001 |
| Finding 2015-002 | Material Weakness – Financial Reporting | No | Reissued in management letter |

# Dave Yost · Auditor of State

**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 19, 2017**

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