



**ASHLAND COUNTY
FINANCIAL CONDITION**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2003



**Auditor of State
Betty Montgomery**

ASHLAND COUNTY
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ASHLAND COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

County Commissioners
Ashland County
142 West 2nd Street
Ashland, Ohio 44805

To the County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ashland County, Ohio, (the County) as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ashland County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General; Motor Vehicle and Gasoline Tax; Job and Family Services; Alcohol, Drug Addiction and Mental Health Services; and Mental Retardation and Developmental Disabilities funds, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2003, the County implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Also, as discussed in Note 3, the County changed its capital asset capitalization threshold.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2004, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. We subjected the Schedule of Receipts and Expenditures of Federal Awards to auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

December 6, 2004

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

The discussion and analysis of Ashland County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the County's financial performance as a whole.

Highlights

Key highlights for 2003 are as follows:

In total the County's net assets decreased by \$2,064,071, or approximately 3.5 percent. This is an insignificant change from the prior year and reflects the stability that has been experienced by the County.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Ashland County's financial position.

The statement of net assets and the statement of activities provide information about the activities of the County as a whole, presenting both an aggregate and a longer-term view of the County.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the County's most significant funds individually and the County's non-major funds in a single column. The County's major funds are the General; Motor Vehicle and Gasoline Tax; Job and Family Services; Alcohol, Drug Addiction, and Mental Health Services; Mental Retardation and Developmental Disabilities; County Home; Landfill; and Recycling funds.

Reporting the County as a Whole

The statement of net assets and the statement of activities reflect how the County did financially during 2003. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the County's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the County as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. The causes of these changes may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base and the condition of the County's capital assets. These factors must be considered when assessing the overall health of the County.

Ashland County, Ohio
Management's Discussion and Analysis
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In the statement of net assets and the statement of activities, the County is divided into three distinct types 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, and conservation and recreation. These services are funded primarily by property and sales taxes and intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The county home, landfill, and recycling services are reported here.

Component Unit - The County's financial statements include financial information for D-R Services, Inc. This component unit is more fully described in Note 1 to the basic financial statements.

Reporting the County's Most Significant Funds

Fund financial statements provide detailed information about the County's major funds, the General; Motor Vehicle and Gasoline Tax; Job and Family Services; Alcohol, Drug Addiction, and Mental Health Services; Mental Retardation and Developmental Disabilities; County Home; Landfill; and Recycling funds. While the County uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The County's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the County's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services being provided.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Proprietary Funds - The County maintains two different types of proprietary funds. Enterprise funds use the accrual basis of accounting and are used to report the same functions presented as business-type activities on the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's other programs and activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the County's programs. These funds also use the accrual basis of accounting.

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2003 compared to 2002.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
<u>Assets</u>						
Current and Other Assets	\$22,804,051	\$23,602,085	\$1,595,805	\$1,752,059	\$24,399,856	\$25,354,144
Capital Assets, Net	46,247,453	47,086,968	1,445,852	1,506,932	47,693,305	48,593,900
Total Assets	69,051,504	70,689,053	3,041,657	3,258,991	72,093,161	73,948,044
<u>Liabilities</u>						
Current and Other Liabilities	7,106,960	6,105,817	113,710	123,826	7,220,670	6,229,643
Long-Term Liabilities	6,531,380	7,274,644	1,912,513	1,951,088	8,443,893	9,225,732
Total Liabilities	13,638,340	13,380,461	2,026,223	2,074,914	15,664,563	15,455,375
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	40,582,498	40,707,330	1,445,852	1,506,932	42,028,350	42,214,262
Restricted	8,740,937	10,593,925	0	0	8,740,937	10,593,925
Unrestricted	6,089,729	6,007,337	(430,418)	(322,855)	5,659,311	5,684,482
Total Net Assets	\$55,413,164	\$57,308,592	\$1,015,434	\$1,184,077	\$56,428,598	\$58,492,669

As can be seen in the table above, there were few changes for either governmental or business-type activities from the prior year. There were, however, a few changes worth noting for governmental activities.

Current and other assets reflect a decrease from the prior year of \$798,034. While only a 3 percent decrease, several departments had a fairly substantial drop in their cash balances from the prior year as cash reserves were needed for current year operations (Job and Family Services had a \$400,000 decrease in cash and Mental Retardation and Developmental Disabilities had a \$500,000 decrease). During 2003, Mental Retardation and Developmental Disabilities issued tax anticipation notes for operating purposes. This increase in debt contributed to the increase in current and other liabilities. The effect of both of these factors is also reflected in the decrease in restricted net assets.

Table 2 reflects the changes in net assets for 2003. Since this is the first year the County has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Ashland County, Ohio
Management's Discussion and Analysis
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Table 2
Change in Net Assets

	Governmental Activities	Business-Type Activities	Total
	2003	2003	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$3,550,884	\$1,366,888	\$4,917,772
Operating Grants, Contributions, and Interest	13,807,527	61,680	13,869,207
Total Program Revenues	17,358,411	1,428,568	18,786,979
General Revenues			
Property Taxes Levied for:			
General Operating	2,112,727	0	2,112,727
Health-Alcohol, Drug Addiction, and Mental Health Services	712,335	0	712,335
Health-Mental Retardation and Developmental Disabilities	1,904,133	0	1,904,133
Permissive Sales Taxes	5,191,315	0	5,191,315
Other Local Taxes	81,318	0	81,318
Grants and Entitlements not Restricted for Specific Programs	1,621,400	0	1,621,400
Interest	280,121	0	280,121
Other	1,599,991	0	1,599,991
Total General Revenues	13,503,340	0	13,503,340
Total Revenues	30,861,751	1,428,568	32,290,319

(continued)

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Table 2
Change in Net Assets
(continued)

	Governmental Activities	Business-Type Activities	Total
	2003	2003	
<u>Program Expenses</u>			
General Government			
Legislative and Executive	\$4,917,981	\$0	\$4,917,981
Judicial	1,523,001	0	1,523,001
Public Safety			
Sheriff	4,966,932	0	4,966,932
Other	84,411	0	84,411
Public Works	4,556,923	0	4,556,923
Health			
Alcohol, Drug Addiction, and Mental Health Services	3,768,936	0	3,768,936
Mental Retardation and Developmental Disabilities	5,299,215	0	5,299,215
Other	304,506	0	304,506
Human Services			
Children Services	1,395,301	0	1,395,301
Job and Family Services	3,335,998	0	3,335,998
Other	1,496,200	0	1,496,200
Conservation and Recreation	42,409	0	42,409
Intergovernmental	355,655	0	355,655
Internal Service Fund-External Portion	116,433	0	116,433
Interest and Fiscal Charges	312,939	0	312,939
County Home	0	1,070,102	1,070,102
Landfill	0	401,063	401,063
Recycling	0	406,385	406,385
Total Expenses	<u>32,476,840</u>	<u>1,877,550</u>	<u>34,354,390</u>
Change in Net Assets before Transfers	(1,615,089)	(448,982)	(2,064,071)
Transfers	(280,339)	280,339	0
Decrease in Net Assets	<u>(\$1,895,428)</u>	<u>(\$168,643)</u>	<u>(\$2,064,071)</u>

Ashland County, Ohio
 Management's Discussion and Analysis
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 Unaudited

Program revenues for governmental activities represented 56 percent of total revenues, the greatest portion of which was operating grants and contributions. Both the health and human services programs receive a substantial amount of grant revenues. The public works program, primarily the Engineer, receives a substantial amount of resources from motor vehicle license and gas taxes. The primary sources for the County's general revenues are from property and sales taxes.

As reflected in the above table, the programs having the greatest costs in 2003 include legislative and executive (which are the primary general government operations); the sheriff; public works (primarily the engineer); alcohol, drug addiction, and mental health services, mental retardation and developmental disabilities (Dale Roy), and job and family services. These programs account for over 82 percent of all governmental expenses.

The County's business-type activities are provided primarily through program revenues, mainly charges for services.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues. Comparisons to 2002 have not been made since they are not available for this year.

Table 3
 Governmental Activities

	Total Cost of Services	Net Cost of Services
	2003	2003
General Government		
Legislative and Executive	\$4,917,981	\$2,975,991
Judicial	1,523,001	440,372
Public Safety		
Sheriff	4,966,932	4,073,015
Other	84,411	83,035
Public Works	4,556,923	1,014,262
		(continued)

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
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Table 3
Governmental Activities
(continued)

	Total Cost of Services	Net Cost of Services
	2003	2003
Health		
Alcohol, Drug Addiction, and Mental Health Services	\$3,768,936	\$505,358
Mental Retardation and Developmental Disabilities	5,299,215	3,366,445
Other	304,506	70,470
Human Services		
Children Services	1,395,301	870,988
Job and Family Services	3,335,998	609,202
Other	1,496,200	473,550
Conservation and Recreation	42,409	42,409
Intergovernmental	355,655	287,155
Internal Service Fund-External Portion	116,433	(6,762)
Interest and Fiscal Charges	312,939	312,939
Total Expenses	<u>\$32,476,840</u>	<u>\$15,118,429</u>

The County's general revenues (primarily property taxes, sales taxes, and unrestricted grants and entitlements) support over 46 percent of the programs provided by the County. However, a review of the above table demonstrates that program revenues contributed significantly to several of the programs. For instance, almost 40 percent of legislative and executive costs were provided for through charges for services. These charges are generally made up of fees and include items such as settlement fees, conveyance and transfer fees, and recording fees. A considerable portion of the public works program is provided through program revenues, primarily motor vehicle license and gas taxes. Various operating grants provide for over 87 percent of the costs for Alcohol, Drug Addition, and Mental Health Services programs.

One item which may require some further clarification is regarding the internal service fund-external portion. This represents the costs associated with various agencies which participate in the County's insurance program. For 2003, the amount contributed by these agencies exceeded the costs to provide insurance by \$6,762.

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
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Governmental Funds Financial Analysis

The County's major governmental funds are the General Fund; Motor Vehicle and Gasoline Tax; Job and Family Services; Alcohol, Drug Addiction, and Mental Health Services; and Mental Retardation and Developmental and Disabilities special revenue funds. Decreases in several of these funds from the prior year warrant some further explanation. A review of the statement of revenues, expenditures, and changes in fund balance reveals that expenditures exceeded revenues in the Motor Vehicle and Gasoline Tax fund for 2003. While revenues in this fund remained fairly consistent with the prior year, expenditures increased by over \$1 million. A similar scenario occurred for both Job and Family Services and Mental Retardation and Developmental Disabilities, expenditures exceeded revenues for 2003; expenditures for 2003 increased over the prior year while revenue sources remained approximately the same.

Business-Type Activities Financial Analysis

All three of the County's enterprise funds had operating losses for 2003. While the decreases in net assets were small for the County Home and Recycling funds, there was a 56 percent decrease in the Landfill fund.

Budgetary Highlights

The County prepares an annual budget of revenues and expenditures/expenses for all funds of the County for use by County officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations resolution which is effective the first day of January. The County's most significant budgeted fund is the General Fund. Changes from the original to final budget or from the final budget to actual revenues and expenditures were minimal for this fund. The budgetary schedules for the Motor Vehicle and Gasoline Tax, Job and Family Services, and Mental Retardation and Developmental Disabilities funds demonstrate somewhat significant decreases in fund balance. For each of these funds, expenditures exceeded revenues for both the original and final budget amounts as well as the actual amounts. This reflects the necessity to spend from carry over balances.

Capital Assets and Debt Administration

Capital Assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2003, was \$40,582,498 and \$1,445,852, respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, building improvements, roads, bridges, equipment, and vehicles. Additions to governmental activities capital assets consisted primarily of road improvements. Changes in capital assets for business-type activities were very insignificant. Note 10 to the basic financial statements provides further details on the County's capital assets.

Debt - At December 31, 2003, the County had \$300,000 in tax anticipation notes payable from governmental activities. The County also had outstanding general obligation bonds, in the amount of \$5,655,000, and capital leases, in the amount of \$9,955.

In addition to the debt outlined above, the County's long-term obligations also include compensated absences and landfill closure and postclosure costs. Notes 16 and 17 to the basic financial statements provide further details on the County's long-term obligations.

Ashland County, Ohio
Management's Discussion and Analysis
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Unaudited

Current Issues

In August 2004, the County passed a new 1.5 mill operating levy for Mental Retardation and Developmental and Disabilities which will generate approximately \$1.35 million annually. This should improve their financial condition.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's financial status. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Philip Leibolt, Ashland County Auditor, 142 West Second Street, Ashland, Ohio 44805

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Ashland County
Statement of Net Assets
Primary Government and Discretely Presented Component Unit
December 31, 2003

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	D-R Services, Inc.
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$12,350,026	\$1,450,521	\$13,800,547	\$25,183
Cash and Cash Equivalents in Segregated Accounts	45,486	5,762	51,248	0
Accounts Receivable	37,638	75,946	113,584	18,566
Accrued Interest Receivable	52,660	0	52,660	0
Permissive Sales Taxes Receivable	1,316,623	0	1,316,623	0
Due from Other Governments	3,385,052	11,268	3,396,320	0
Due from External Parties	575	0	575	0
Internal Balances	(34,748)	34,748	0	0
Prepaid Items	64,348	0	64,348	0
Materials and Supplies Inventory	506,039	0	506,039	3,779
Inventory Held for Resale	0	17,560	17,560	0
Property Taxes Receivable	5,050,826	0	5,050,826	0
Notes Receivable	29,526	0	29,526	0
Nondepreciable Capital Assets	849,533	118,865	968,398	0
Depreciable Capital Assets, Net	45,397,920	1,326,987	46,724,907	63,093
Total Assets	69,051,504	3,041,657	72,093,161	110,621
<u>Liabilities</u>				
Accrued Wages Payable	190,679	25,529	216,208	0
Accounts Payable	772,590	66,432	839,022	4,869
Contracts Payable	26,761	0	26,761	0
Due to Other Governments	449,495	21,749	471,244	1,322
Due to External Parties	28,228	0	28,228	0
Deferred Revenue	4,942,045	0	4,942,045	0
Claims Payable	363,771	0	363,771	0
Accrued Interest Payable	23,651	0	23,651	0
Notes Payable	300,000	0	300,000	1,137
Retainage Payable	9,740	0	9,740	0
Long-Term Liabilities:				
Due Within One Year	582,069	56,949	639,018	0
Due in More Than One Year	5,949,311	1,855,564	7,804,875	0
Total Liabilities	13,638,340	2,026,223	15,664,563	7,328
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	40,582,498	1,445,852	42,028,350	61,956
Restricted for:				
Debt Service	931,458	0	931,458	0
Other Purposes	7,809,479	0	7,809,479	0
Unrestricted (Deficit)	6,089,729	(430,418)	5,659,311	41,337
Total Net Assets	\$55,413,164	\$1,015,434	\$56,428,598	\$103,293

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Activities
Primary Government and Discretely Presented Component Unit
For the Year Ended December 31, 2003

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest
<u>Governmental Activities</u>			
General Government			
Legislative and Executive	\$4,917,981	\$1,934,056	\$7,934
Judicial	1,523,001	725,443	357,186
Public Safety			
Sheriff	4,966,932	261,788	632,129
Other	84,411	1,376	0
Public Works	4,556,923	49,673	3,492,988
Health			
Alcohol, Drug Addiction, and Mental Health Services	3,768,936	0	3,263,578
Mental Retardation and Developmental Disabilities	5,299,215	4,308	1,928,462
Other	304,506	141,414	92,622
Human Services			
Children Services	1,395,301	0	524,313
Job and Family Services	3,335,998	153,263	2,573,533
Other	1,496,200	156,368	866,282
Conservation and Recreation	42,409	0	0
Intergovernmental	355,655	0	68,500
Internal Service Fund-External Portion	116,433	123,195	0
Interest and Fiscal Charges	312,939	0	0
Total Governmental Activities	32,476,840	3,550,884	13,807,527
<u>Business-Type Activities</u>			
County Home	1,070,102	793,809	2,070
Landfill	401,063	262,035	3,027
Recycling	406,385	311,044	56,583
Total Business-Type Activities	1,877,550	1,366,888	61,680
Total Primary Government	\$34,354,390	\$4,917,772	\$13,869,207
<u>Component Unit</u>			
D-R Services, Inc.	\$311,391	\$271,054	\$0

General Revenues

Property Taxes Levied for
General Operating
Health-Alcohol, Drug Addiction, and Mental Health Services
Health-Mental Retardation and Developmental Disabilities
Permissive Sales Taxes
Other Local Taxes
Grants and Entitlements not Restricted for Specific Programs
Interest
Contributions
Other
Total General Revenues
Transfers
Change in Net Assets
Net Assets Beginning of Year - See Note 3
Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Change in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	D-R Services, Inc.
(\$2,975,991)	\$0	(\$2,975,991)	\$0
(440,372)	0	(440,372)	0
(4,073,015)	0	(4,073,015)	0
(83,035)	0	(83,035)	0
(1,014,262)	0	(1,014,262)	0
(505,358)	0	(505,358)	0
(3,366,445)	0	(3,366,445)	0
(70,470)	0	(70,470)	0
(870,988)	0	(870,988)	0
(609,202)	0	(609,202)	0
(473,550)	0	(473,550)	0
(42,409)	0	(42,409)	0
(287,155)	0	(287,155)	0
6,762	0	6,762	0
(312,939)	0	(312,939)	0
(15,118,429)	0	(15,118,429)	0
0	(274,223)	(274,223)	0
0	(136,001)	(136,001)	0
0	(38,758)	(38,758)	0
0	(448,982)	(448,982)	0
(15,118,429)	(448,982)	(15,567,411)	0
0	0	0	(40,337)
2,112,727	0	2,112,727	0
712,335	0	712,335	0
1,904,133	0	1,904,133	0
5,191,315	0	5,191,315	0
81,318	0	81,318	0
1,621,400	0	1,621,400	0
280,121	0	280,121	112
0	0	0	41,768
1,599,991	0	1,599,991	1,510
13,503,340	0	13,503,340	43,390
(280,339)	280,339	0	0
(1,895,428)	(168,643)	(2,064,071)	3,053
57,308,592	1,184,077	58,492,669	100,240
\$55,413,164	\$1,015,434	\$56,428,598	\$103,293

Ashland County
Balance Sheet
Governmental Funds
December 31, 2003

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Alcohol, Drug Addiction, and Mental Health Services
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,462,809	\$881,269	\$383,233	\$1,284,276
Cash and Cash Equivalents in Segregated Accounts	2,759	0	0	0
Accounts Receivable	16,808	95	0	0
Accrued Interest Receivable	50,853	1,048	0	0
Permissive Sales Taxes Receivable	1,053,893	0	0	0
Due from Other Governments	794,483	1,575,695	71,465	412,683
Due from External Parties	528	0	0	0
Interfund Receivable	85,374	0	0	0
Prepaid Items	63,664	0	0	0
Materials and Supplies Inventory	29,946	450,822	16,089	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	52,282	0	0	0
Property Taxes Receivable	1,962,161	0	0	760,024
Notes Receivable	0	0	0	0
Total Assets	\$8,575,560	\$2,908,929	\$470,787	\$2,456,983
<u>Liabilities</u>				
Accrued Wages Payable	\$73,917	\$29,244	\$37,042	\$2,461
Accounts Payable	134,373	94,280	90,946	59,070
Contracts Payable	0	0	0	0
Due to Other Governments	166,537	21,216	31,249	6,291
Due to External Parties	0	0	28,228	0
Interfund Payable	0	0	594	0
Deferred Revenue	3,418,107	1,355,223	0	1,077,411
Notes Payable	0	0	0	0
Retainage Payable	0	0	0	0
Total Liabilities	3,792,934	1,499,963	188,059	1,145,233
<u>Fund Balance</u>				
Reserved for Unclaimed Monies	52,282	0	0	0
Reserved for Notes Receivable	0	0	0	0
Reserved for Encumbrances	49,716	143	0	0
Unreserved, Reported in:				
General Fund	4,680,628	0	0	0
Special Revenue Funds	0	1,408,823	282,728	1,311,750
Debt Service Funds	0	0	0	0
Total Fund Balance	4,782,626	1,408,966	282,728	1,311,750
Total Liabilities and Fund Balance	\$8,575,560	\$2,908,929	\$470,787	\$2,456,983

See Accompanying Notes to the Basic Financial Statements

Mental Retardation and Developmental Disabilities	Other Governmental	Total
\$438,775	\$4,133,256	\$11,583,618
0	42,727	45,486
7,281	12,849	37,033
347	412	52,660
0	262,730	1,316,623
248,900	281,826	3,385,052
0	47	575
0	0	85,374
684	0	64,348
8,316	866	506,039
0	0	52,282
2,328,641	0	5,050,826
0	29,526	29,526
<u>\$3,032,944</u>	<u>\$4,764,239</u>	<u>\$22,209,442</u>
\$31,259	\$16,756	\$190,679
14,044	379,877	772,590
0	26,761	26,761
62,819	133,285	421,397
0	0	28,228
0	76,184	76,778
2,493,096	378,325	8,722,162
300,000	0	300,000
0	9,740	9,740
<u>2,901,218</u>	<u>1,020,928</u>	<u>10,548,335</u>
0	0	52,282
0	25,633	25,633
0	14,232	64,091
0	0	4,680,628
131,726	2,815,037	5,950,064
0	888,409	888,409
<u>131,726</u>	<u>3,743,311</u>	<u>11,661,107</u>
<u>\$3,032,944</u>	<u>\$4,764,239</u>	<u>\$22,209,442</u>

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Ashland County
 Reconciliation of Total Governmental Fund Balance
 to Net Assets of Governmental Activities
 December 31, 2003

Total Governmental Fund Balance \$11,661,107

Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 46,247,453

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	95	
Accrued Interest Receivable	51,923	
Permissive Sales Taxes Receivable	915,323	
Due from Other Governments	2,703,995	
Property Taxes Receivable	108,781	
		3,780,117

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. (43,344)

Due to other governments includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, are not reported in the funds. (28,098)

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(23,651)	
General Obligation Bonds Payable	(5,655,000)	
Compensated Absences Payable	(866,425)	
Capital Leases Payable	(9,955)	
		(6,555,031)

An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets. 350,960

Net Assets of Governmental Activities \$55,413,164

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2003

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Alcohol, Drug Addiction, and Mental Health Services
<u>Revenues</u>				
Property Taxes	\$2,107,125	\$0	\$0	\$710,645
Permissive Sales Taxes	4,140,033	0	0	0
Other Local Taxes	4,012	77,306	0	0
Charges for Services	1,799,368	0	0	0
Licenses and Permits	6,072	0	0	0
Fines and Forfeitures	124,826	0	0	0
Intergovernmental	2,201,995	3,477,128	2,573,533	3,100,309
Interest	292,958	14,068	0	0
Rent	0	0	0	0
Other	590,141	17,391	580,219	19,304
Total Revenues	11,266,530	3,585,893	3,153,752	3,830,258
<u>Expenditures</u>				
Current:				
General Government				
Legislative and Executive	4,457,755	0	0	0
Judicial	1,415,748	0	0	0
Public Safety				
Sheriff	3,992,140	0	0	0
Other	77,345	0	0	0
Public Works	107,629	4,026,138	0	0
Health				
Alcohol, Drug Addiction, and Mental Health Services	0	0	0	3,777,367
Mental Retardation and Developmental Disabilities	0	0	0	0
Other	79,340	0	0	0
Human Services				
Children Services	0	0	0	0
Job and Family Services	0	0	3,368,796	0
Other	305,600	0	0	0
Conservation and Recreation	20,000	0	0	0
Capital Outlay	0	0	0	0
Intergovernmental	287,989	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	10,743,546	4,026,138	3,368,796	3,777,367
Excess of Revenues Over (Under) Expenditures	522,984	(440,245)	(215,044)	52,891
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	28,210	964	0	0
Transfers In	212,075	0	113,645	0
Transfers Out	(829,453)	(73,401)	(374,747)	0
Total Other Financing Sources (Uses)	(589,168)	(72,437)	(261,102)	0
Change in Fund Balance	(66,184)	(512,682)	(476,146)	52,891
Fund Balance Beginning of Year - Restated (Note 3)	4,848,810	1,921,648	758,874	1,258,859
Fund Balance End of Year	\$4,782,626	\$1,408,966	\$282,728	\$1,311,750

See Accompanying Notes to the Basic Financial Statements

Mental Retardation and Developmental Disabilities	Other Governmental	Total
\$1,891,802	\$0	\$4,709,572
0	1,034,025	5,174,058
0	0	81,318
10,128	1,113,683	2,923,179
0	139,903	145,975
0	50,826	175,652
2,129,257	1,718,441	15,200,663
4,167	14,412	325,605
0	153,263	153,263
188,177	245,799	1,641,031
<u>4,223,531</u>	<u>4,470,352</u>	<u>30,530,316</u>
0	522,918	4,980,673
0	263,172	1,678,920
0	799,844	4,791,984
0	8,565	85,910
0	22,918	4,156,685
0	0	3,777,367
5,252,440	0	5,252,440
0	227,666	307,006
0	1,395,301	1,395,301
0	0	3,368,796
0	1,198,658	1,504,258
0	0	20,000
0	15,251	15,251
0	67,677	355,666
4,683	710,000	714,683
505	317,008	317,513
<u>5,257,628</u>	<u>5,548,978</u>	<u>32,722,453</u>
<u>(1,034,097)</u>	<u>(1,078,626)</u>	<u>(2,192,137)</u>
0	0	29,174
0	1,200,185	1,525,905
0	(528,643)	(1,806,244)
<u>0</u>	<u>671,542</u>	<u>(251,165)</u>
(1,034,097)	(407,084)	(2,443,302)
<u>1,165,823</u>	<u>4,150,395</u>	<u>14,104,409</u>
<u>\$131,726</u>	<u>\$3,743,311</u>	<u>\$11,661,107</u>

Ashland County
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2003

Net Changes in Fund Balance - Total Governmental Funds (\$2,443,302)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year:

Capital Outlay	978,320	
Depreciation	<u>(1,770,524)</u>	(792,204)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset accounts on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities

Proceeds from the Sale of Capital Assets	(29,174)	
Net Loss on Disposal of Capital Assets	<u>(18,137)</u>	(47,311)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	19,623	
Permissive Sales Taxes	17,257	
Charges for Services	(5,820)	
Fines and Forfeitures	15,012	
Intergovernmental	199,131	
Interest	(32,320)	
Other	<u>(4,643)</u>	208,240

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

General Obligation Bonds Payable	710,000	
Capital Leases Payable	<u>4,683</u>	714,683

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding obligations on the statement of net assets.

Accrued Interest Payable		4,574
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(continued)

Ashland County
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2003
 (continued)

Some expenses reported on the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Due to Other Governments	\$312,775	
Compensated Absences Payable	<u>28,581</u>	
		341,356

The internal service fund used by management to charge the cost of insurance to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year.

Allocated to Activities		111,774
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The internal service fund used by management to charge the cost of insurance to an external agency is reported on the statement of activities. The change for the external portion is reported for the year.

		<u>6,762</u>
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Change in Net Assets of Governmental Activities:		<u><u>(\$1,895,428)</u></u>
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See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<u>Revenues</u>				
Property Taxes	\$1,972,079	\$2,127,079	\$2,102,264	(\$24,815)
Permissive Sales Taxes	3,975,000	4,145,000	4,144,014	(986)
Other Local Taxes	4,000	4,000	4,012	12
Charges for Services	1,522,543	1,726,543	1,786,649	60,106
Licenses and Permits	4,600	4,600	6,072	1,472
Fines and Forfeitures	117,000	118,000	109,581	(8,419)
Intergovernmental	2,278,201	2,221,201	2,294,751	73,550
Interest	291,390	291,390	318,287	26,897
Other	204,887	536,387	532,548	(3,839)
Total Revenues	10,369,700	11,174,200	11,298,178	123,978
<u>Expenditures</u>				
Current:				
General Government				
Legislative and Executive	4,548,957	5,009,192	4,474,952	534,240
Judicial	1,360,762	1,515,123	1,416,113	99,010
Public Safety				
Sheriff	3,833,995	3,981,748	3,918,475	63,273
Other	93,744	111,157	87,827	23,330
Public Works	105,461	108,882	104,194	4,688
Health				
Other	85,628	85,628	79,340	6,288
Human Services				
Other	280,729	384,043	308,067	75,976
Conservation and Recreation	20,000	20,000	20,000	0
Intergovernmental	290,280	290,292	287,983	2,309
Total Expenditures	10,619,556	11,506,065	10,696,951	809,114
Excess of Revenues Over (Under) Expenditures	(249,856)	(331,865)	601,227	933,092
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	54,500	54,500	51,711	(2,789)
Sale of Capital Assets	2,000	2,000	28,210	26,210
Advances Out	(15,000)	(43,500)	(43,500)	0
Transfers In	170,000	170,000	212,075	42,075
Transfers Out	(1,034,394)	(941,191)	(828,683)	112,508
Total Other Financing Sources (Uses)	(822,894)	(758,191)	(580,187)	178,004
Change in Fund Balance	(1,072,750)	(1,090,056)	21,040	1,111,096
Fund Balance Beginning of Year	4,011,328	4,011,328	4,011,328	0
Prior Year Encumbrances Appropriated	293,767	293,767	293,767	0
Fund Balance End of Year	\$3,232,345	\$3,215,039	\$4,326,135	\$1,111,096

See Accompanying Notes to the Basic Financial Statements

Ashland County,
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Motor Vehicle and Gasoline Tax Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Intergovernmental	\$3,115,000	\$3,412,000	\$3,449,772	\$37,772
Interest	29,000	29,000	14,068	(14,932)
Other	25,000	21,000	18,616	(2,384)
Total Revenues	3,169,000	3,462,000	3,482,456	20,456
<u>Expenditures</u>				
Current:				
Public Works	4,291,483	4,285,811	3,567,453	718,358
Excess of Revenues Under Expenditures	(1,122,483)	(823,811)	(84,997)	738,814
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	0	0	964	964
Transfers In	160,000	0	0	0
Transfers Out	(73,401)	(73,401)	(73,401)	0
Total Other Financing Sources (Uses)	86,599	(73,401)	(72,437)	964
Change in Fund Balance	(1,035,884)	(897,212)	(157,434)	739,778
Fund Balance Beginning of Year	712,123	712,123	712,123	0
Prior Year Encumbrances Appropriated	185,884	185,884	185,884	0
Fund Balance (Deficit) End of Year	<u>(\$137,877)</u>	<u>\$795</u>	<u>\$740,573</u>	<u>\$739,778</u>

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Job and Family Services Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Intergovernmental	\$3,252,955	\$3,252,955	\$2,570,863	(\$682,092)
Other	150,000	150,000	580,219	430,219
Total Revenues	3,402,955	3,402,955	3,151,082	(251,873)
<u>Expenditures</u>				
Current:				
Human Services				
Job and Family Services	4,161,600	3,927,600	3,291,679	635,921
Excess of Revenues Under Expenditures	(758,645)	(524,645)	(140,597)	384,048
<u>Other Financing Sources (Uses)</u>				
Transfers In	758,645	524,045	113,645	(410,400)
Transfers Out	(374,747)	(374,747)	(374,747)	0
Total Other Financing Sources (Uses)	383,898	149,298	(261,102)	(410,400)
Change in Fund Balance	(374,747)	(375,347)	(401,699)	(26,352)
Fund Balance Beginning of Year	784,932	784,932	784,932	0
Fund Balance End of Year	<u>\$410,185</u>	<u>\$409,585</u>	<u>\$383,233</u>	<u>(\$26,352)</u>

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Alcohol, Drug Addiction, and Mental Health Services Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$687,261	\$687,261	\$708,994	\$21,733
Intergovernmental	2,966,701	2,966,701	3,032,656	65,955
Other	292,515	292,515	19,304	(273,211)
Total Revenues	3,946,477	3,946,477	3,760,954	(185,523)
<u>Expenditures</u>				
Current:				
Health				
Alcohol, Drug Addiction, and Mental Health Services	3,946,477	3,952,977	3,735,310	217,667
Change in Fund Balance	0	(6,500)	25,644	32,144
Fund Balance Beginning of Year	1,235,497	1,235,497	1,235,497	0
Fund Balance End of Year	<u>\$1,235,497</u>	<u>\$1,228,997</u>	<u>\$1,261,141</u>	<u>\$32,144</u>

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Mental Retardation and Developmental Disabilities Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$1,839,935	\$1,899,935	\$1,874,417	(\$25,518)
Charges for Services	2,200	2,200	6,976	4,776
Intergovernmental	2,165,512	2,406,512	2,297,089	(109,423)
Interest	10,000	10,000	4,167	(5,833)
Other	183,000	218,000	185,394	(32,606)
Total Revenues	4,200,647	4,536,647	4,368,043	(168,604)
<u>Expenditures</u>				
Current:				
Health				
Mental Retardation and Developmental Disabilities	4,708,231	5,280,235	5,251,189	29,046
Excess of Revenues Under Expenditures	(507,584)	(743,588)	(883,146)	(139,558)
<u>Other Financing Sources</u>				
Proceeds of Notes	0	0	300,000	300,000
Change in Fund Balance	(507,584)	(743,588)	(583,146)	160,442
Fund Balance Beginning of Year	948,767	948,767	948,767	0
Fund Balance End of Year	\$441,183	\$205,179	\$365,621	\$160,442

See Accompanying Notes to the Basic Financial Statements

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Ashland County
Statement of Fund Net Assets
Proprietary Funds
December 31, 2003

	Business-Type Activities			Total Enterprise
	County Home	Landfill	Recycling	
<u>Assets</u>				
<u>Current Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$9,233	\$162,945	\$5,140	\$177,318
Cash and Cash Equivalents in Segregated Accounts	0	0	5,762	5,762
Accounts Receivable	33,369	20,950	21,627	75,946
Due from Other Governments	0	0	11,268	11,268
Materials and Supplies Inventory	0	0	0	0
Inventory Held for Resale	0	0	17,560	17,560
Total Current Assets	42,602	183,895	61,357	287,854
<u>Restricted Assets</u>				
Equity in Pooled Cash and Cash Equivalents	0	1,273,203	0	1,273,203
<u>Non-Current Assets</u>				
Nondepreciable Capital Assets	0	61,465	57,400	118,865
Depreciable Capital Assets, Net	867,829	11,398	447,760	1,326,987
Total Non-Current Assets	867,829	72,863	505,160	1,445,852
Total Assets	910,431	1,529,961	566,517	3,006,909
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accrued Wages Payable	16,672	463	8,394	25,529
Accounts Payable	35,297	21,995	9,140	66,432
Compensated Absences Payable	9,291	780	3,424	13,495
Due to Other Governments	15,323	1,024	5,402	21,749
Interfund Payable	6,868	0	1,728	8,596
Claims Payable	0	0	0	0
Notes Payable	0	0	0	0
Postclosure Costs Payable	0	43,454	0	43,454
Total Current Liabilities	83,451	67,716	28,088	179,255
<u>Non-Current Liabilities</u>				
Liabilities Payable from Retriected Assets				
Postclosure Costs Payable	0	1,273,203	0	1,273,203
Compensated Absences Payable	12,791	1,034	2,533	16,358
Postclosure Costs Payable	0	566,003	0	566,003
Total Non-Current Liabilities	12,791	1,840,240	2,533	1,855,564
Total Liabilities	96,242	1,907,956	30,621	2,034,819
<u>Net Assets</u>				
Invested in Capital Assets	867,829	72,863	505,160	1,445,852
Unrestricted (Deficit)	(53,640)	(450,858)	30,736	(473,762)
Total Net Assets (Deficit)	\$814,189	(\$377,995)	\$535,896	972,090
Net assets reported for business-type activities on the statement of net assets is different because it includes a proportionate share of the balance of the internal service fund.				43,344
Net Assets of Business-Type Activities:				\$1,015,434

See Accompanying Notes to the Basic Financial Statements

Governmental
Activity

Internal
Service

\$714,126
0
605
0
0
0

714,731

0

0
0

0

714,731

0
0
0
0
0
363,771
0
0

363,771

0
0
0

0

363,771

0
350,960

\$350,960

Ashland County
Statement of Revenues, Expenses,
and Change in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2003

	Business-Type Activities			Total Enterprise
	County Home	Landfill	Recycling	
<u>Operating Revenues</u>				
Charges for Services-Internal	\$793,809	\$262,035	\$71,021	\$1,126,865
Charges for Services-External	0	0	0	0
Contributions	0	0	0	0
Sale of Recyclables	0	0	240,023	240,023
Other	2,070	3,027	35	5,132
Total Operating Revenues	795,879	265,062	311,079	1,372,020
<u>Operating Expenses</u>				
Personal Services	794,615	55,922	240,105	1,090,642
Materials and Supplies	146,286	2,923	0	149,209
Contractual Services	71,265	241,461	5,351	318,077
Claims	0	0	0	0
Other	29,784	96,958	116,643	243,385
Depreciation	41,514	3,799	47,626	92,939
Total Operating Expenses	1,083,464	401,063	409,725	1,894,252
Operating Income (Loss)	(287,585)	(136,001)	(98,646)	(522,232)
<u>Non-Operating Revenues</u>				
Interest	0	0	0	0
Grants	0	0	56,548	56,548
Total Non-Operating Revenues	0	0	56,548	56,548
Income (Loss) Before Transfers	(287,585)	(136,001)	(42,098)	(465,684)
Transfers In	280,339	0	0	280,339
Change in Net Assets	(7,246)	(136,001)	(42,098)	(185,345)
Net Assets (Deficit) Beginning of Year - Restated (Note 3)	821,435	(241,994)	577,994	
Net Assets (Deficit) End of Year	\$814,189	(\$377,995)	\$535,896	

The change in net assets reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net income of the internal service fund.

16,702

Change in Net Assets of Business-Type Activities

(\$168,643)

See Accompanying Notes to the Basic Financial Statements

Governmental
Activity

Internal
Service

\$2,340,704
123,195
0
0
0

2,463,899

0
0
371,017
1,957,644
0
0

2,328,661

135,238

0
0

0

135,238

0

135,238

215,722

\$350,960

Ashland County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003

	<u>Business-Type Activities</u>			<u>Total Enterprise</u>
	<u>County Home</u>	<u>Landfill</u>	<u>Recycling</u>	
Increase (Decrease) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$766,100	\$267,517	\$300,334	\$1,333,951
Cash Received from Transactions with Other Funds	0	0	0	0
Cash Received from Other Revenues	2,070	3,027	35	5,132
Cash Payments for Personal Services	(621,421)	(46,695)	(201,527)	(869,643)
Cash Payments to Suppliers	(199,911)	(311,647)	(6,093)	(517,651)
Cash Payments for Claims	0	0	0	0
Cash Payments for Transactions with Other Funds	(174,479)	(9,594)	(41,867)	(225,940)
Cash Payments for Other Expenses	(30,204)	(87,639)	(121,757)	(239,600)
Net Cash Provided by (Used for) Operating Activities	<u>(257,845)</u>	<u>(185,031)</u>	<u>(70,875)</u>	<u>(513,751)</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Grants	0	0	56,501	56,501
Transfers In	280,339	0	0	280,339
Net Cash Provided by Noncapital Financing Activities	<u>280,339</u>	<u>0</u>	<u>56,501</u>	<u>336,840</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition of Capital Assets	(31,859)	0	0	(31,859)
Principal Paid on Notes	0	0	0	0
Net Cash Used for Capital and Related Financing Activities	<u>(31,859)</u>	<u>0</u>	<u>0</u>	<u>(31,859)</u>
<u>Cash Flows from Investing Activities</u>				
Interest	0	0	0	0
Net Increase (Decrease) in Cash and Cash Equivalents	(9,365)	(185,031)	(14,374)	(208,770)
Cash and Cash Equivalents Beginning of Year	18,598	1,621,179	25,276	1,665,053
Cash and Cash Equivalents End of Year	<u>\$9,233</u>	<u>\$1,436,148</u>	<u>\$10,902</u>	<u>\$1,456,283</u>

Governmental
Activity

Internal
Service

\$0
2,464,491
0
0
(371,017)
(2,011,709)
0
0
<hr/>
81,765
<hr/>
0
0
<hr/>
0
<hr/>
0
<hr/>
0
<hr/>
0
<hr/>
0
<hr/>
81,765
<hr/>
632,361
<hr/>
\$714,126
<hr/> <hr/>

Ashland County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003
(continued)

	Business-Type Activities			Total Enterprise
	County Home	Landfill	Recycling	
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Operating Income (Loss)	(\$287,585)	(\$136,001)	(\$98,646)	(\$522,232)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Depreciation	41,514	3,799	47,626	92,939
Changes in Assets and Liabilities				
(Increase) Decrease in Accounts Receivable	(27,709)	5,482	(10,710)	(32,937)
Decrease in Prepaid Items	0	109	0	109
Decrease in Materials and Supplies Inventory	0	0	0	0
Increase in Inventory Held for Resale	0	0	(8,868)	(8,868)
Decrease in Interfund Receivable	0	0	0	0
Increase in Accrued Wages Payable	127	162	836	1,125
Increase (Decrease) in Accounts Payable	12,738	(16,423)	1,555	(2,130)
Increase (Decrease) in Compensated Absences Payable	4,309	91	(1,345)	3,055
Decrease in Due to Other Governments	(5,721)	(620)	(2,770)	(9,111)
Increase in Interfund Payable	4,482	0	1,447	5,929
Decrease in Claims Payable	0	0	0	0
Decrease in Closure/Postclosure Costs Payable	0	(41,630)	0	(41,630)
Total Adjustments	29,740	(49,030)	27,771	8,481
Net Cash Provided by (Used for) Operating Activities	<u>(\$257,845)</u>	<u>(\$185,031)</u>	<u>(\$70,875)</u>	<u>(\$513,751)</u>

See Accompanying to the Basic Financial Statements

Governmental
Activity

Internal
Service

\$135,238

0

(605)

0

0

0

1,197

0

0

0

0

0

(54,065)

0

(53,473)

\$81,765

Ashland County
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2003

Assets

Equity in Pooled Cash and Cash Equivalents	\$2,052,904
Cash and Cash Equivalents in Segregated Accounts	219,551
Accounts Receivable	7,846,281
Due from Other Governments	2,404,539
Due from External Parties	28,228
Property Taxes Receivable	38,032,981
Other Local Taxes Receivable	9,804
Special Assessments Receivable	208,779

Total Assets \$50,803,067

Liabilities

Due to Other Governments	42,052,142
Due to External Parties	575
Undistributed Assets	8,750,350

Total Liabilities \$50,803,067

See Accompanying Notes to the Basic Financial Statements

Note 1 - Reporting Entity

Ashland County, Ohio (County) was created in 1846. The County is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, and a Probate/Juvenile Court Judge.

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 administrators of public services for the entire County.

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

A. Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Ashland County, this includes the Ashland County Board of Mental Retardation and Developmental Disabilities (MRDD); Mental Health and Recovery Board of Ashland County, Heartland Home, Children Services Board, and departments and activities that are directly operated by the elected County officials.

B. Component Units

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.

Discretely Presented Component Unit

The component unit column on the financial statements identifies the financial data of the County's component unit, D-R Services, Inc. It is reported separately to emphasize that it is legally separate from the County. Information about this component unit is presented in Note 25 to the basic financial statements.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 1 - Reporting Entity (continued)

D-R Services, Inc. D-R Services, Inc. is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. D-R Services, Inc., under a contractual agreement with the Ashland County Board of Mental Retardation and Developmental Disabilities (MRDD), provides sheltered employment for mentally retarded or handicapped adults in Ashland County. The Ashland County Board of MRDD provides D-R Services, Inc. with all expenses and personnel for the operation of D-R Services, Inc. including 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 D-R Services, Inc. Based on the significant services and resources provided by the County to D-R Services, Inc. and D-R Services, Inc.'s sole purpose of providing assistance to the retarded and handicapped adults of Ashland County, D-R Services, Inc. is presented as a component unit of Ashland County. D-R Services, Inc. operates on a fiscal year ending December 31. D-R Services, Inc. does not issue separate financial statements.

As custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate organizations listed below, the County serves as fiscal agent, but the organizations are not considered part of Ashland County. Accordingly, the activity of the following organizations is reported as agency funds within the financial statements:

Ashland County Soil and Water Conservation District
Ashland City-County Health Department
Local Emergency Planning Commission
Ashland County Family and Children First Council

The County participates in several jointly governed organizations and insurance pools, and is associated with a related organization. These organizations are presented in Notes 22, 23, and 24 to the basic financial statements. These organizations are:

Ashland County Regional Planning Commission
Northern Ohio Juvenile Community Corrections Facility
Ashland County Improvement Corporation (CIC)
County Risk Sharing Authority, Inc. (CORSA)
County Commissioners Association of Ohio Service Corporation (CCAOSC)
Ashland County Airport Authority

Note 2 - Summary of Significant Accounting Policies

The financial statements of Ashland County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the County's accounting policies.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

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 governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

B. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the County are presented in three categories: governmental, proprietary, and fiduciary.

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the County 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. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

General - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Motor Vehicle and Gasoline Tax - This fund accounts for monies derived from gasoline taxes and the sale of motor vehicle licenses. Expenditures are restricted by State law to county road and bridge repair/improvement programs.

Job and Family Services - This fund accounts for federal, state, and local monies used to provide general relief and to pay providers of medical assistance and social services.

Alcohol, Drug Addiction, and Mental Health Services - This fund accounts for a county-wide property tax levy and federal and state grants that are primarily used to pay the costs of contracts with local mental health agencies that provide services to the public.

Mental Retardation and Developmental Disabilities - This fund accounts for the operation of a school for the mentally retarded and developmentally disabled, financed by a county-wide property tax levy and federal and state grants.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the County's major enterprise funds:

County Home - This fund accounts for the daily operations of the County nursing home. Revenue is generated from resident fees and charges for services and is used to pay other agencies for services, to fund the daily costs of operations, and to provide services to the residents such as laundry, transportation, personal care items, and incidental medical supplies.

Landfill - This fund accounts for fees collected for dumping waste at the Noble Road Landfill in Richland County used to pay postclosure costs at the Ashland County Landfill which was closed in 1997.

Note 2 - Summary of Significant Accounting Policies (continued)

Recycling - This fund accounts for the operations of the County recycling center.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis. The County's internal service fund accounts for monies received for the activities of the self insurance program for employee health benefits, including various agencies external to the County.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County did not have any trust funds in 2003. The County's agency funds account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the County finances and meets the cash flow needs of its proprietary activities.

Note 2 - Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within thirty-one days after year end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the year in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes; charges for services; fines and forfeitures; state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, interest, and rent.

Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2003, but were levied to finance 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

Note 2 - Summary of Significant Accounting Policies (continued)

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. Budgetary information for the Commissary special revenue fund and D-R Services, Inc. is not reported because they are not included in the entity for which the “appropriated budget” is adopted. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners’ authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

F. Cash and Investments

To improve cash management, cash received by the County is pooled and invested. Individual fund integrity is maintained through County records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Cash and cash equivalents that are held separately within departments of the County are recorded as “Cash and Cash Equivalents in Segregated Accounts”.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and cash equivalents of D-R Services, Inc. are held by the component unit and are recorded as “Cash and Cash Equivalents in Segregated Accounts”.

During 2003, the County invested in nonnegotiable certificates of deposit, repurchase agreements, federal agency securities, and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit and repurchase agreements which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2003.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2003 was \$292,958, which includes \$216,822 assigned from other County funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

With the exception of the Motor Vehicle and Gasoline Tax special revenue fund, all inventory of the County is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory in the Motor Vehicle and Gasoline Tax special revenue fund is based on average cost. Inventory consists of expendable supplies held for consumption.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that have a legal restriction are reported as restricted. Monies required to be set aside for postclosure costs at the landfill are also reported as restricted.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 2 - Summary of Significant Accounting Policies (continued)

J. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the proprietary funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The County maintains a capitalization threshold of fifteen thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated, except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land Improvements	n/a	20 years
Buildings	40-125 years	60 years
Building Improvements	20-40 years	20 years
Roads	10-50 years	n/a
Bridges	50 years	n/a
Equipment	5-20 years	10-20 years
Vehicles	10-20 years	10 years

K. Interfund Receivables/Payables

On fund financial statements, outstanding interfund loans and unpaid amounts for internal services are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net assets, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "Internal Balances".

Note 2 - Summary of Significant Accounting Policies (continued)

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the County's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on length of service and department policy.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds and capital leases are recognized as liabilities on the fund financial statements when due.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, various mental health services, child support and welfare services, services for the handicapped and mentally retarded, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Note 2 - Summary of Significant Accounting Policies (continued)

O. Fund Balance Reserves

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for the county home, landfill, and recycling center, as well as charges for internal service fund activities. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating.

Q. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

S. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 - Changes in Accounting Principles and Restatement of Fund Equity

A. Changes in Accounting Principles

For 2003, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 34 creates new basic financial statements for reporting on the County's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

The government-wide financial statements split the County's programs between governmental activities and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from the prior year.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the County uses for its legally adopted budget when significant budgetary perspective differences result in the County not being able to present budgetary comparisons for the General Fund and each major special revenue fund. The implementation of this statement did not have any effect on the County's financial statements for 2003.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

For 2003, the County has increased the threshold amount for capitalizing assets. The threshold amount was increased from \$500 to \$15,000.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 3 - Changes in Accounting Principles and Restatement of Fund Equity (continued)

B. Restatement of Fund Equity

The restatement due to the implementation of the above statements and interpretation had the following effects on fund equity of the major and nonmajor funds of the County as they were previously reported. The transition from governmental fund balance to net assets of governmental activities is also presented:

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Alcohol, Drug Addiction, and Mental Health Services
Fund Balance December 31, 2002	\$4,795,322	\$1,919,028	\$761,616	\$1,247,632
GASB Statement No. 34 Adjustment				
Change in Fund Structure	62,395	0	0	21,484
Change in Threshold	(25,668)	0	(4,998)	(11,398)
GASB Interpretation No. 6 Adjustment				
Compensated Absences	16,761	2,620	2,256	1,141
Adjusted Fund Balance	<u>\$4,848,810</u>	<u>\$1,921,648</u>	<u>\$758,874</u>	<u>\$1,258,859</u>

	Mental Retardation and Developmental Disabilities	Other Governmental	Total Governmental Activities
Fund Balance December 31, 2002	\$1,109,919	\$4,210,700	\$14,044,217
GASB Statement No. 34 Adjustment			
Change in Fund Structure	55,769	(62,099)	77,549
Change in Threshold	(3,501)	139	(45,426)
GASB Interpretation No. 6 Adjustment			
Compensated Absences	3,636	1,655	28,069
Adjusted Fund Balance	<u>\$1,165,823</u>	<u>\$4,150,395</u>	14,104,409

GASB Statement No.34 Adjustments:

Accounts Receivable	10,558
Accrued Interest Receivable	84,243
Permissive Sales Taxes Receivable	898,066
Due from Other Governments	2,489,852
Property Taxes Receivable	89,158
Capital Assets	47,086,968
Due to Other Governments	(340,873)
Accrued Interest Payable	(28,225)
General Obligation Bonds Payable	(6,365,000)
Compensated Absences Payable	(895,006)
Capital Leases Payable	(14,638)
Internal Service Fund - Internal Balance	(26,642)
Internal Service Fund - Governmental Portion	204,936
Internal Service Fund - External Portion	10,786
Governmental Activities Net Assets December 31 ,2002	<u>\$57,308,592</u>

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 3 - Changes in Accounting Principles and Restatement of Fund Equity (continued)

The restatement of the business-type activities:

	County Home	Landfill	Recycling	Total Business-Type Activities
Fund Equity (Deficit) December 31, 2002	\$553,464	(\$232,996)	\$675,085	\$995,553
Change in Threshold				
Capital Assets	(99,570)	(53,135)	(273,182)	(425,887)
Accumulated Depreciation	367,541	44,137	176,091	587,769
	<u>\$821,435</u>	<u>(\$241,994)</u>	<u>\$577,994</u>	<u>1,157,435</u>
Internal Service Funds - Internal Balance				26,642
Adjusted Net Assets December 31, 2002				<u>\$1,184,077</u>

Note 4 - Accountability and Compliance

A. Accountability

At December 31, 2003, the following funds had deficit fund balances/net assets:

Fund	Deficit
Nonmajor Special Revenue Funds	
CHIP	\$10,020
Violence Against Women	9,224
Juvenile Court	905
Enterprise Fund	
Landfill	377,995

The deficit fund balances in the special revenue funds resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The deficit net assets in the Landfill enterprise fund resulted from the requirement to report future postclosure costs. Management is analyzing the situation to alleviate future deficits.

B. Compliance

The Motor Vehicle and Gasoline Tax special revenue fund had original appropriations in excess of estimated resources plus available balances for the year ended December 31, 2003, in the amount of \$137,877. The County made an error in estimating revenues for the year. The County recognized the error and fixed it in the subsequent month.

Contrary to the Ohio Revised Code Section 5705.41 (D), the County did not always certify the availability of certain funds prior to entering into a commitment.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 5 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual for the General Fund; Motor Vehicle and Gasoline Tax; Alcohol, Drug Addiction, and Mental Health Services; and Mental Retardation and Developmental Disabilities special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. The County has certain activities within the General Fund that are not budgeted by the County Commissioners. However, this activity is included as part of the reporting entity when preparing financial statements that conform with GAAP.

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis are as follows:

	Change in Fund Balance				
	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Alcohol, Drug Addiction, and Mental Health Services	Mental Retardation and Developmental Disabilities
GAAP Basis	(\$66,184)	(\$512,682)	(\$476,146)	\$52,891	(\$1,034,097)
<u>Increase (Decrease) Due To</u>					
Revenue Accruals					
Accrued 2002, Received in Cash 2003	567,403	258,731	68,795	27,643	253,970
Accrued 2003, Not Yet Received in Cash	(502,493)	(221,615)	(71,465)	(95,296)	(92,073)
Expenditure Accruals					
Accrued 2002, Paid in Cash 2003	(257,151)	(174,197)	(114,057)	(25,765)	(101,300)
Accrued 2003, Not Yet Paid in Cash	374,827	144,740	188,059	67,822	108,122

(continued)

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 5 - Budgetary Basis of Accounting (continued)

Change in Fund Balance

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Alcohol, Drug Addiction, and Mental Health Services	Mental Retardation and Developmental Disabilities
Cash Adjustments					
Unrecorded Activity 2002	\$131,482	\$0	\$0	\$21,484	\$55,769
Unrecorded Activity 2003	(113,033)	(140,553)	0	(23,135)	(73,154)
Prepaid Items	2,739	0	0	0	534
Materials and Supplies Inventory	402	488,285	3,115	0	(917)
Notes Payable - Issued	0	0	0	0	300,000
Advances Out	(43,500)	0	0	0	0
Transfers Out	770	0	0	0	0
Excess of Revenues Under Expenditures for Nonbudgeted Activity	1,701	0	0	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(75,923)	(143)	0	0	0
Budget Basis	<u>\$21,040</u>	<u>(\$157,434)</u>	<u>(\$401,699)</u>	<u>\$25,644</u>	<u>(\$583,146)</u>

Note 6 - Deposits and Investments

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 and can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 6 - Deposits and Investments (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed 5 percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed two hundred seventy days and in an amount not to exceed 10 percent of the County's total average portfolio.

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, by surety company bonds deposited with the County Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the County had \$145,610 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 6 - Deposits and Investments (continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At year end, the carrying amount of the County's deposits was \$6,183,647 and the bank balance was \$6,873,589. Of the bank balance \$921,487 was covered by federal depository insurance and \$5,952,102 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County's investments are categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$982,762	\$982,762	\$982,792
Federal Home Loan Bank Bonds	2,503,959	2,503,959	2,503,959
Federal Home Loan Mortgage Corporation Bonds	501,050	501,050	501,050
Federal National Mortgage Association Bonds	1,502,135	1,502,135	1,502,135
	<u>\$5,489,906</u>	5,489,906	5,489,936
STAR Ohio		4,305,087	4,305,087
Total Investments		<u>\$9,794,993</u>	<u>\$9,795,023</u>

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 6 - Deposits and Investments (continued)

A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$16,124,250	\$0
Cash on Hand	(145,610)	0
Investments		
Repurchase Agreements	(982,762)	982,762
Federal Home Loan Bank Bonds	(2,503,959)	2,503,959
Federal Home Loan Mortgage Corporation Bonds	(501,050)	501,050
Federal National Mortgage Association Bonds	(1,502,135)	1,502,135
STAR Ohio	(4,305,087)	4,305,087
GASB Statement No. 3	\$6,183,647	\$9,794,993

Note 7 - Receivables

Receivables at December 31, 2003, consisted of accounts (e.g., billings for user charged services, including unbilled charges); accrued interest; permissive sales taxes; intergovernmental receivables arising from grants, entitlements, and shared revenues; interfund; property taxes; and notes. All receivables are considered fully collectible within one year, except for notes receivable and receivables related to child support as reflected in the Alimony and Child Support agency fund. Notes receivable, in the amount of \$25,633, will not be received within one year.

The following receivables are presented net of an allowance for uncollectible accounts as follows:

	Agency
Gross Accounts Receivable	\$10,992,948
Less Allowance for Uncollectible Accounts	(3,146,667)
Net Accounts Receivable	\$7,846,281

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 7 - Receivables (continued)

Notes receivable represent low interest loans for development projects granted to eligible County businesses under the Federal Community Development Block Grant program. The notes have an annual interest rate of 3.5 percent and are repaid over twelve years. A summary of the changes in notes receivable during 2003 follows:

	Balance December 31, 2002	New Loans	Repayments	Balance December 31, 2003
Special Revenue Fund				
CDBG Revolving Loan	\$35,433	\$30,162	\$36,069	\$29,526

A summary of the principal items of due from other governments follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Local Government	
Local Government Revenue Assistance	\$622,880
Estate Tax	1,269
Auditor of State	1,157
Cuyahoga County	25,738
Public Defender Grant	7,019
Homestead and Rollback	118,810
Other	17,610
Total General Fund	794,483
Motor Vehicle and Gasoline Tax	
Gasoline Tax	716,266
Motor Vehicle License Tax	859,429
Total Motor Vehicle and Gasoline Tax	1,575,695
Job and Family Services	
ODHS Public Assistance	71,465
Alcohol, Drug Addiction, and Mental Health Services	
Medicaid	298,689
Block Grant - Federal	51,892
Youth Mentoring Initiative	22,566
Homestead and Rollback	39,536
Total Alcohol, Drug Addiction, and Mental Health Services	412,683

(continued)

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 7 - Receivables (continued)

	Amount
Governmental Activities (continued)	
Mental Retardation and Developmental Disabilities	
Subsidy Program	\$5,627
Title VI	480
Title VI-B	29,183
Preschool	9,782
POS	13,932
Medicaid	67,987
Homestead and Rollback	121,909
Total Mental Retardation and Developmental Disabilities	248,900
Total Major Funds	3,103,226
Nonmajor Funds	
Youth Services Juvenile	
Youth Services Grant	92,293
Victims of Crime Assistance	
Victims of Crime Grant	27,379
Children Services	
Title IV-E	27,535
PSCA	51,298
CHIP	
CHIP	5,000
Child Support Enforcement Agency	
ODHS CSEA	12,543
Felony Delinquent Care	
RECLAIM Grant	8,398
Community Corrections	
Community Corrections Grant	57,380
Total Nonmajor Funds	281,826
Total Governmental Activities	\$3,385,052
Business-Type Activities	
Recycling	
Recycling Grant	\$11,268
	(continued)

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 7 - Receivables (continued)

	<u>Amount</u>
Agency Funds	
Local Government	\$535,400
Local Government Revenue Assistance	123,730
Library Local Government	977,756
Gasoline Tax	388,946
Motor Vehicle License Tax	230,703
Permissive Motor Vehicle License Tax	144,539
Homestead and Rollback	3,465
Total Agency Funds	<u><u>\$2,404,539</u></u>

Note 8 - Permissive Sales and Use Tax

The County Commissioners, by resolution, imposed a 1.25 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. The allocation of the sales tax is 1 percent to the County's General Fund and .25 percent for the repayment of the County Jail debt and for jail operating expenses. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies, to the State Auditor, the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Note 9 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax revenues received in 2003 represent the collection of 2002 taxes. Real property taxes received in 2003 were levied after October 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2003 represent the collection of 2002 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2001, were levied after October 1, 2002, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 9 - Property Taxes

Tangible personal property tax revenues received in 2003 (other than public utility property) represent the collection of 2003 taxes. Tangible personal property taxes received in 2003 were levied after October 1, 2002, on the true value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2003, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2003 operations.

On the full accrual basis, collectible delinquent real property taxes have been recorded as a receivable and revenue. On the modified accrual basis, the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2003, was \$7.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property	
Residential	\$532,645,380
Agriculture	88,667,580
Commercial/Industrial/Mineral	109,385,380
Public Utility Property	
Real	317,600
Personal	63,908,130
Tangible Personal Property	94,839,633
Total Assessed Value	<u><u>\$889,763,703</u></u>

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2003, was as follows:

	(Restated) Balance December 31, 2002	Additions	Reductions	Balance December 31, 2003
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$889,844	\$0	(\$40,311)	\$849,533
Depreciable Capital Assets				
Buildings	19,499,295	0	0	19,499,295
Building Improvements	754,854	0	0	754,854
Roads	38,964,443	605,889	0	39,570,332
Bridges	12,424,598	0	0	12,424,598
Equipment	1,601,051	184,307	(146,574)	1,638,784
Vehicles	1,901,224	188,124	(50,175)	2,039,173
Total Depreciable Capital Assets	75,145,465	978,320	(196,749)	75,927,036
Less Accumulated Depreciation for				
Buildings	(2,696,208)	(425,842)	0	(3,122,050)
Building Improvements	(528,398)	(19,280)	0	(547,678)
Roads	(17,923,644)	(839,879)	0	(18,763,523)
Bridges	(5,715,315)	(248,492)	0	(5,963,807)
Equipment	(1,167,631)	(87,240)	139,574	(1,115,297)
Vehicles	(917,145)	(149,791)	50,175	(1,016,761)
Total Accumulated Depreciation	(28,948,341)	(1,770,524)	189,749	(30,529,116)
Total Depreciable Capital Assets, Net	46,197,124	(792,204)	(7,000)	45,397,920
Governmental Activities Capital Assets, Net	\$47,086,968	(\$792,204)	(\$47,311)	\$46,247,453
	(Restated) Balance December 31, 2002	Additions	Reductions	Balance December 31, 2003
Business-Type Activities				
Nondepreciable Capital Assets				
Land	\$118,865	\$0	\$0	\$118,865
Depreciable Capital Assets				
Land Improvements	49,072	0	0	49,072
Buildings	1,516,614	0	0	1,516,614
Building Improvements	214,849	0	0	214,849
Equipment	463,509	0	0	463,509
Vehicles	88,781	31,859	0	120,640
Total Depreciable Capital Assets	2,332,825	31,859	0	2,364,684

(continued)

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 10 - Capital Assets (continued)

	(Restated) Balance December 31, 2002	Additions	Reductions	Balance December 31, 2003
Less Accumulated Depreciation for				
Land Improvements	(27,774)	(2,453)	0	(30,227)
Buildings	(640,951)	(25,277)	0	(666,228)
Building Improvements	(75,197)	(10,742)	0	(85,939)
Equipment	(163,443)	(42,404)	0	(205,847)
Vehicles	(37,393)	(12,063)	0	(49,456)
Total Accumulated Depreciation	<u>(944,758)</u>	<u>(92,939)</u>	<u>0</u>	<u>(1,037,697)</u>
 Total Depreciable Capital Assets, Net	 <u>1,388,067</u>	 <u>(61,080)</u>	 <u>0</u>	 <u>1,326,987</u>
 Business-Type Activities Capital Assets, Net	 <u>\$1,506,932</u>	 <u>(\$61,080)</u>	 <u>\$0</u>	 <u>\$1,445,852</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	\$53,146
Judicial	7,942
Public Safety	
Sheriff	329,619
Public Works	1,219,202
Health	
Mental Retardation and Developmental Disabilities	104,502
Other	1,919
Human Services	
Job and Family Services	25,505
Other	6,280
Conservation and Recreation	22,409
Total Depreciation Expense - Governmental Activities	<u>\$1,770,524</u>

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 11 - Interfund Receivables/Payables

Interfund balances at December 31, 2003, consisted of the following individual fund receivables and payables:

Due to General Fund from:	
Nonmajor funds	
Job and Family Services	\$594
Other Governmental	76,184
Major funds	
County Home	6,868
Recycling	1,728
Total General Fund	\$85,374

The balance due to the General Fund includes loans made to provide working capital for operations or projects. All of these amounts are expected to be received within one year.

Note 12 - 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. During 2003, the County contracted with County Risk Sharing Authority, Inc. (CORSA) for insurance coverage. The CORSA program has a \$2,500 deductible. Coverage provided by CORSA is as follows:

General Liability	\$10,000,000
Medical Professional Liability	10,000,000
Law Enforcement Professional Liability	10,000,000
Public Officials Errors and Omissions Liability	10,000,000
Automobile Liability	10,000,000
Excess Liability	9,000,000
Uninsured Motorists Liability	250,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	1,000,000
Building and Contents	56,577,987
Other Property Insurance	
Automobile Physical Damage	Actual Cash Value
Flood and Earthquake	100,000,000
Comprehensive Boiler and Machinery	100,000,000
Crime Insurance	
Faithful Performance	1,000,000
Money and Securities	1,000,000
Depositor's Forgery	1,000,000
Money Order and Counterfeit Paper	1,000,000

Note 12 - Risk Management (continued)

With the exceptions of medical coverage, dental coverage for MRDD employees, and worker's compensation, all insurance is held with CORSA. There has been no significant reduction in insurance coverage from 2002, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

For 2003, the County participated in the County Commissioners Association of Ohio Service Corporation, a worker's compensation group rating plan (Plan). 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 counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

In order to allocate the savings derived by the formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc., provides administrative, cost control, and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the County is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any county leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation.

The County provides employee medical coverage through a self insured program. The County established a Medical Insurance fund (an internal service fund) to account for and finance employee health benefits. Under this program, the Medical Insurance fund provides coverage up to a maximum of \$70,000 for each individual. The County purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in the past three years.

All funds of the County, except the Board of Mental Retardation and Developmental Disabilities (MRDD), participate in the program and make payments to the Medical Insurance fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2003, are estimated by the third party administrator at \$363,771.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 12 - Risk Management (continued)

The changes in the claims liability for 2003 and 2002 were:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2003	\$417,836	\$1,957,644	\$2,011,709	\$363,771
2002	412,037	2,163,120	2,157,321	417,836

Employees of the Board of Mental Retardation and Developmental Disabilities (MRDD) receive medical and dental insurance coverage provided by commercial insurance providers. Employees participate in the payment of premiums for this coverage.

There has been no significant reduction in insurance coverage from 2002, and settled claims have not exceeded this coverage in the past three years.

Note 13 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

For the year ended December 31, 2003, members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. Members participating in the traditional plan, who were in law enforcement, contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 13 - Defined Benefit Pension Plans (continued)

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$1,023,741, \$1,015,107, and \$1,038,336, respectively; 90 percent has been contributed for 2003 and 100 percent has been contributed for 2002 and 2001. The unpaid contribution for 2003, in the amount of \$101,441 is recorded as a liability. Contributions to the member-directed plan for 2003 were \$6,862 made by the County and \$4,305 made by plan members.

B. State Teachers Retirement System

For certified teachers employed by the school for mental retardation and developmental disabilities, the County contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salary and the County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The County's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2003, 2002, and 2001 were \$77,094, \$56,925 and \$56,325, respectively; 96 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. Contributions for the CP for the fiscal year ended June 30, 2003, were \$573 made by plan members.

Note 14 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 employer contribution rate was 13.55 percent of covered payroll (16.7 percent for law enforcement and public safety); 5.00 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

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

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits was \$580,250. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2002 (the latest information available), was \$10 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. The Choices Plan will incorporate a cafeteria approach offering a broader range of health care options. The Choices Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Choices Plan will also offer a spending account feature enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a medical spending account.

Note 14 - Postemployment Benefits (continued)

B. State Teachers Retirement System

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the STRS based on authority granted by State statute. STRS is funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount was \$5,930.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000, and STRS had 108,294 eligible benefit recipients.

Note 15 - Other Employer Benefits

A. Compensated Absences

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. Currently, employees are not permitted to accrue or carry over, beyond an anniversary date, more than the equivalent of one year's vacation leave, except as otherwise defined in union agreements. All accumulated unused vacation time is paid upon separation from the County. Sick leave is earned at a rate of four and six-tenths hours for every eighty hours worked. Sick leave is pro-rated for those employees working less than a standard eighty hour work week. Any County employee who has ten or more years of service is paid upon retirement for one-fourth of the value of their accumulated unused sick leave up to a maximum of thirty to fifty days, depending on department policy or union contract.

B. Employee Health Insurance

Ashland County provides employee medical benefits to most employees through a self insured program. The County pays the full cost of premiums for employees under the program. Coverage is provided up to a maximum \$70,000 per individual. The County purchases commercial insurance for claims in excess of this coverage. All claims under the plan are administered by the County's third-party administrator.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 16 - Notes Payable

The changes in the County's notes payable during 2003 were as follows:

	Interest Rate	Balance December 31, 2002	Additions	Reductions	Balance December 31, 2003
<u>Governmental Activities</u>					
<u>Tax Anticipation Note</u>					
2003 Mental Retardation and Developmental Disabilities	2.50%	\$0	\$300,000	\$0	\$300,000

On December 31, 2003, the County issued tax anticipation notes, in the amount of \$300,000, for operation of the mental retardation and developmental disabilities programs and facilities. The notes were issued under the authority of Ohio Revised Code Chapter 133, Section 5705.222 and Section 5705.191 for a three year period, with final maturity in 2006. The notes have an interest rate of 2.5 percent and are being repaid through the Mental Retardation Developmental and Disabilities special revenue fund.

Principal and interest requirements to retire the notes are as follows:

Year	Principal	Interest
2004	\$100,000	\$6,271
2005	100,000	4,375
2006	100,000	1,875

Note 17 - Long-Term Obligations

The County's long-term obligations activity for the year ended December 31, 2003, was as follows:

	Interest Rate	Balance December 31, 2002	Additions	Reductions	Balance December 31, 2003	Due Within One Year
<u>Governmental Activities</u>						
<u>General Obligation Bonds</u>						
1991 Job and Family Services (Original Amount \$1,500,000)	5.0%	\$900,000	\$0	\$70,000	\$830,000	\$80,000
1994 County Garage (Original Amount \$1,100,000)	5.0	525,000	0	75,000	450,000	80,000
2001 County Jail (Original Amount \$5,100,000)	4.75	4,940,000	0	565,000	4,375,000	170,000
Total General Obligation Bonds		6,365,000	0	710,000	5,655,000	330,000
<u>Other Long-Term Obligations</u>						
Compensated Absences Payable		895,006	264,382	292,963	866,425	247,192
Capital Leases Payable		14,638	0	4,683	9,955	4,877
Total Other Long-Term Obligations		909,644	264,382	297,646	876,380	252,069
Total Governmental Activities		\$7,274,644	\$264,382	\$1,007,646	\$6,531,380	\$582,069

(continued)

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 17 - Long-Term Obligations (continued)

	Interest Rate	Balance December 31, 2002	Additions	Reductions	Balance December 31, 2003	Due Within One Year
<u>Business-Type Activities</u>						
Other Long-Term Obligations						
Compensated Absences Payable		\$26,798	\$16,550	\$13,495	\$29,853	\$13,495
Closure/Postclosure Costs Payable		1,924,290	0	41,630	1,882,660	43,454
Total Business-Type Activities		<u>\$1,951,088</u>	<u>\$16,550</u>	<u>\$55,125</u>	<u>\$1,912,513</u>	<u>\$56,949</u>

All general obligation bonds are supported by the full faith and credit of Ashland County and are payable from unvoted property tax revenues to the extent that other resources are not available to meet annual principal and interest payments.

1991 Job and Family Services Bonds The Job and Family Services general obligation bonds include serial and term bonds. The term bonds have annual mandatory sinking fund redemption requirements and there are optional redemption provisions for the serial bonds. The term bonds mature on December 1, 2011, in the amount of \$900,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date. The serial bonds maturing on or after December 1, 2001, are subject to early redemption, at the sole option of the County, either in whole or in part on any date on or after December 1, 2001, in multiples of \$5,000, at the following redemption prices plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
December 1, 2001 through November 30, 2002	102 percent
December 1, 2002 through November 30, 2003	101 percent
December 1, 2003 and thereafter	100 percent

1994 County Garage Bonds The County Garage general obligation bonds are serial bonds. The bonds maturing on or after November 15, 2002, are subject to early redemption, at the sole option of the County, either in whole or in part on any date on or after November 15, 2002, in multiples of \$5,000, at the following redemption prices plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
November 15, 2002 through November 14, 2003	101 percent
November 15, 2003 through November 14, 2004	101.5 percent
November 15, 2004 and thereafter	100 percent

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund; the Motor Vehicle and Gasoline Tax; Job and Family Services; Alcohol, Drug Addiction, and Mental Health Services; Mental Retardation and Developmental Disabilities; Dog and Kennel; Real Estate Assessment; Youth Services; Child Support Enforcement Agency/Common Pleas Court Contract; DARE; Victims of Crime; Child Support Enforcement Agency; Indigent Guardian; Juvenile Court; and County Prosecutor Seizure special revenue funds, and the County Home, Landfill, and Recycling enterprise funds.

Capital lease obligations will be paid from the fund that maintains custody of the related asset.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 17 - Long-Term Obligations (continued)

The following is a summary of the County's future annual debt service requirements for governmental activities:

Year	General Obligation Bonds	
	Principal	Interest
2004	\$330,000	\$288,013
2005	350,000	270,577
2006	375,000	251,998
2007	390,000	231,912
2008	410,000	210,900
2009-2013	1,550,000	760,850
2014-2018	1,535,000	396,388
2019-2020	715,000	51,063
	\$5,655,000	\$2,461,701

The Ohio Revised Code provides that net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 1 percent of the total assessed valuation of the County. The Revised Code further provides that total voted and unvoted net debt of the County less the same exempt debt shall never exceed a sum equal to 3 percent of the first \$100,000,000 of assessed valuation, plus 1.5 percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus 2.5 percent of such valuation in excess of \$300,000,000. The effect of the debt limitations at December 31, 2003, were an overall debt margin of \$20,352,502 and a unvoted debt margin of \$8,506,046.

The County has issued industrial revenue bonds for the following organizations:

	Date of Issue	Amount of Issue	Amount Outstanding December 31, 2003
Landver Properties, LTD	11/1/84	\$2,270,000	\$285,000
Bretheran Care, Inc. - Brookwood Place	2/1/96	2,825,000	2,610,000
Good Shepherd Home for the Aged Project	1/21/99	3,960,000	3,665,000
Bretheran Care, Inc.	9/23/99	14,685,000	14,070,000
Good Shepherd Home-Assisted Living Facilities	11/15/99	4,750,000	4,655,000
		\$28,490,000	\$25,285,000

The County is not obligated in any way to pay debt and related charges on industrial revenue bonds from any of its funds, and therefore, they have been excluded entirely from the County's debt presentation. There has not been, and there is not currently, any condition of default under the bonds or the related financing documents.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 18 - Capital Leases - Lessee Disclosure

The County has entered into a capitalized lease for equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for the governmental funds. Principal payments in 2003 were \$4,683 for governmental funds.

	Governmental Activities
Equipment	\$19,136
Less Accumulated Depreciation	(7,973)
Carrying Value, December 31, 2003	\$11,163

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2003.

	Governmental Activities	
	Principal	Interest
2004	\$4,877	\$313
2005	5,078	112
Total	\$9,955	\$425

Note 19 - Postclosure Costs

State and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The County's landfill was closed in 1997. The \$1,882,660 reported as the landfill postclosure liability at December 31, 2003, represents the estimated costs of maintenance and monitoring through 2027. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The December 31, 2003, the liability decreased from the prior year by \$41,630.

The County is required by state and federal laws and regulations to provide assurances that financial resources will be available to provide for postclosure care and remediation or containment of environmental hazards at the landfill. The County has not passed the financial accountability test in which the County has not proven to be able to self-fund these future costs.

As a result, the County has obtained a line of credit from a local financial institution to guarantee payment of the postclosure costs as required by the Ohio Administrative Code.

The County incurred a deficit of six percent of annual revenue in 2003. The deficit exceeded the maximum deficit compliance threshold of five percent of annual revenue established pursuant to Ohio Administrative Code 3745-27-15(L)(2)(b).

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 20 - Interfund Transfers

During 2003 the following transfers were made:

		Transfers Out				Total
		Governmental Activities				
		General	Motor Vehicle and Gasoline Tax	Job and Family Services	Other Governmental	
Transfers In	Governmental Activities					
	General	\$0	\$0		\$212,075	\$212,075
	Job and Family Services	113,645	0	0	0	113,645
	Other Governmental	435,469	73,401	374,747	316,568	1,200,185
	Total Governmental Activities	549,114	73,401	374,747	528,643	1,525,905
	Business-Type Activities					
	County Home	280,339	0	0	0	280,339
Total	\$829,453	\$73,401	\$374,747	\$528,643	\$1,806,244	

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Excess funds in the County Jail capital projects fund were transferred to the Jail debt service fund and the Jail Operating special revenue fund to close out this fund after completion of the jail construction. The County's portion of the vehicle title fees is collected throughout the year in the Clerk of Courts Title Fees special revenue fund and transferred to the General Fund at year end.

Note 21 - Federal Food Stamp Program

The County's Department of Job and Family Services distributes federal food stamps to entitled recipients within Ashland County. The receipt and issuance of food stamps have the characteristics of federal "grants"; however, the Department of Job and Family Services merely acts in an intermediary capacity. The inventory value of these stamps is not reflected in the accompanying financial statements as the only economic interest related to the stamps rests with the ultimate recipient. Federal food stamp activity for the year was as follows:

Balance at Beginning of Year	\$8,700
Amount Received for Distribution	0
Amount Distributed to Entitled Recipients	(30)
Balance at End of Year	\$8,670

Note 22 - Jointly Governed Organizations

A. Ashland County Regional Planning Commission

The County participates in the Ashland County Regional Planning Commission, which is a statutorily created political subdivision of the State. The Commission is jointly governed among Ashland County, the City of Ashland, eight villages, and thirteen townships within the County. Each member's control over the operation of the Commission is limited to its representation on the Board of Trustees. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. In 2003, the County contributed \$47,293 to the Regional Planning Commission.

B. Northern Ohio Juvenile Community Corrections Facility

The Northern Ohio Juvenile Community Corrections Facility is a jointly governed organization between Ashland, Erie, Huron, Richland, Sandusky, and Seneca Counties. The Corrections Facility provides for juvenile rehabilitation and correction for juvenile offenders who would otherwise be eligible for commitment to the Ohio Department of Youth Services. The Corrections Facility is controlled by a governing board consisting of the juvenile court judge from each of the participating counties. Each County's ability to influence the operations of the Corrections Facility is limited to their representation on the governing board. Erie County serves as the fiscal agent.

C. Ashland Community Improvement Corporation (CIC)

The County participates in the Ashland Community Improvement Corporation (CIC), a 501(c)(3) not-for-profit-corporation established under Ohio Revised Code Section 1724.10. The CIC administers the CDBG revolving loan program in conjunction with the Ashland City revolving loan fund.

The CIC board consists of thirty members, two-fifths of whom are required by the Ohio Revised Code to be from the participating governments. Ashland County has one representative on the CIC board. Financial information can be obtained from the Ashland Community Improvement Corporation, 47 West Main Street, Ashland, Ohio 44805.

Note 23 - Insurance Pools

A. County Risk Sharing Authority, Inc.

The County Risk Sharing Authority, Inc. (CORSA), is a jointly governed organization among thirty-nine counties in Ohio. CORSA was formed as an Ohio not-for-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the Board of Trustees. No county may have more than one representative on the Board of Trustees at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

Note 23 - Insurance Pools (continued)

B. County Commissioners Association of Ohio Service Corporation

The County participates 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 an insurance 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 participants. The group executive committee consists of nine members. Two members are the president and treasurer of CCAOSC; the remaining seven members are representatives of the participants. These seven members are elected for the ensuing year by the participants at a meeting held in December of each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a county commissioner.

Note 24 - Related Organization

The Ashland County Airport Authority was created by resolution of the County Commissioners under the authority of Chapter 308 of the Ohio Revised Code to operate an airport in Ashland County. The Airport Authority is governed by a five member board of trustees appointed by the County Commissioners. The Board of Trustees has the authority to exercise all of the powers and privileges provided under the law. These powers include the ability to sue or be sued in its corporate name; the power to establish and collect rates, rentals, and other charges; the authority to acquire, construct, operate, manage, and maintain airport facilities; the authority to buy and sell real and personal property; and the authority to issue debt for acquiring or constructing any facility or permanent improvement. The Airport Authority serves as custodian of its own funds and maintains all records and accounts independent of Ashland County.

Although the County has no obligation to provide financial resources to the airport, the County Commissioners have in prior years allocated certain funds to the Airport Authority. In 2003, this allocation was \$20,000.

Note 25 - D-R Services, Inc.

A. Summary of Significant Accounting Policies

Basis of Presentation

D-R Services, Inc. applies the provisions of GASB Statement No. 29, "The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities". Accordingly, D-R Services, Inc. utilizes the governmental model for accounting and financial reporting as established by NCGA Statement 1, "Governmental Accounting and Financial Reporting Principles", as modified by subsequent NCGA and GASB pronouncements.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 25 - D-R Services, Inc. (continued)

D-R Services, Inc. is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. D-R Services, Inc. uses the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Materials and Supplies Inventory

Inventory is presented at cost on a first-in, first-out basis and is expensed when used. Inventory consists of expendable supplies held for consumption.

Capital Assets

Equipment and vehicles are recorded at cost. Donated equipment is recorded at fair market value on the date donated. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

<u>Asset Category</u>	<u>Estimated Lives</u>
Equipment	5-12 years
Vehicles	5-10 years

B. Deposits and Investments

At year end, the carrying amount of D-R Services, Inc. deposits was \$25,183 and the bank balance was \$26,752. The entire bank balance was covered by federal depository insurance. D-R Services, Inc. did not have any investments at year end. There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporation.

C. Capital Assets

A summary of the D-R Services, Inc. capital assets of December 31, 2003, follows:

Equipment	\$221,690
Vehicles	49,807
	<hr/>
	271,497
Less Accumulated Depreciation	(208,404)
	<hr/>
Net Capital Assets	<u>\$63,093</u>

Note 26 - Related Party Transactions

During 2003, Ashland County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its programs to D-R Services, Inc. D-R Services, Inc., a discretely presented component unit of Ashland County, reported \$41,728 for such contributions. D-R Services, Inc. recorded operating revenues and expenses at cost or fair market value, as applicable, to the extent the contribution was related to the vocational purpose of D-R Services, Inc. Additional habilitative services provided directly to D-R Services, Inc. clients by the County was \$2,430,974.

Note 27 - Contingent Liabilities

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

Several claims and lawsuits are pending against the County. In the opinion of the Prosecuting Attorney, any potential claims or liabilities from these lawsuits would not have a material adverse effect on the financial statements.

ASHLAND COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Health and Human Services						
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>						
Block Grants for Community Mental Health Services	93.958	FY03	\$12,812	\$0	\$12,812	\$0
		FY04	3,431		3,431	
			16,243	0	16,243	0
<i>Passed through the Ohio Department of Mental Health.</i>						
Block Grants for Community Mental Health Services	93.958	FY03	27,977		27,977	
		FY04	16,788		16,788	
			44,765	0	44,765	0
Total Block Grants for Community Mental Health Services			61,008	0	61,008	0
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>						
Block Grants for Prevention and Treatment of Substance Abuse	93.959	FY03	121,664		121,664	
		FY04	45,299		45,299	
			166,963	0	166,963	0
<i>Passed through the Ohio Department of Mental Health.</i>						
Social Services Block Grant	93.667	FY03	18,313		18,313	
		FY04	18,220		18,220	
			36,533	0	36,533	0
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Social Services Block Grant	93.667	FY03	18,932		18,932	
		FY04	29,110		29,110	
			48,042	0	48,042	0
Total Social Services Block Grant			84,575	0	84,575	0
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	93.778	FY03	181,855		181,855	
		FY04	286,420		286,420	
			468,275	0	468,275	0
<i>Passed through the Ohio Department of Mental Health.</i>						
Medical Assistance Program	93.778	FY03	393,373		415,465	
		FY04	452,994		464,530	
			846,367	0	879,995	0
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>						
Medical Assistance Program	93.778	FY03	32,654		24,474	
		FY04	34,538		39,281	
			67,192	0	63,755	0
Total Medical Assistance Program			1,381,834	0	1,412,025	0
Total U.S. Department of Health and Human Services			1,694,380	0	1,724,571	0
U.S. Department of Housing and Urban Development						
<i>Passed through the Ohio Department of Development:</i>						
Community Development Block Grants/ State's Program	14.228	BF-00-003-1	67,500		67,676	
		BF-01-003-1	1,000			
		BC-01-003-1	70,331		80,827	
			138,831	0	148,503	0
HOME Program	14.239	BC-01-003-2	109,585		165,771	
Total U.S. Department of Housing and Urban Development			248,416	0	314,274	0
U.S. Department of Labor						
<i>Passed through the Ohio Department of Jobs and Family Services:</i>						
<i>WIA Cluster:</i>						
Workforce Investment Act - Youth Activities	17.259		136,362		100,851	
Workforce Investment Act - Youth Activities Administration			113		2,136	
Total Workforce Investment Act - Youth Activities			136,475	0	102,987	0
Workforce Investment Act - Adult Activities	17.258		43,979		70,859	
Workforce Investment Act - Adult Activities Administration			4,470		15,026	
Total Workforce Investment Act - Adult Activities			48,449	0	85,885	0
Workforce Investment Act - Dislocated Worker Activities	17.260		64,792		65,139	
Workforce Investment Act - Dislocated Worker Administration			6,417		29,603	
Total Workforce Investment Act - Dislocated Worker Activities			71,209	0	94,742	0
Total U.S. Department of Labor and WIA Cluster			256,133	0	283,614	0

ASHLAND COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Education						
<i>Passed through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Preschool Grants	84.173	069225-PG-S1-03P PCR - 3382 04	11,193 3,804 <u>14,997</u>	0	11,193 2,589 <u>13,782</u>	0
Special Education Grants to States	84.027	069625-6B-SF-03P 069625-6B-SF-04 PCR - 3381	31,731 11,586 <u>43,317</u>	0	31,731 8,616 <u>40,347</u>	0
Total Special Education Cluster			58,314	0	54,129	0
Innovative Education Program Strategies	84.298	069625-C2-SI-03 PCR - 3380 04	535 187 <u>722</u>	0	653 <u>653</u>	0
Total U.S. Department of Education			59,036	0	54,782	0
U.S. Department of Agriculture						
<i>Passed through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
National School Lunch Program	10.555	N/A	33,367		33,367	
Food Distribution	10.550	N/A		9,289		9,289
Total U.S. Department of Agriculture - Child Nutrition Cluster			33,367	9,289	33,367	9,289
U.S. Department of Homeland Security						
<i>Passed through the Ohio Department of Homeland Security:</i>						
State and Local All Hazards Emergency Operations Planning	97.051	EMC-03-GR-7026	21,684		13,673	
State Domestic Preparedness Equipment Support Program	97.004	02 -TECX - 0049 02 -TECX - 0106 02 -TECX - 0016	58,077 8,603 2,138 <u>68,818</u>		58,077 8,603 2,069 <u>68,749</u>	
Total U.S. Department of Homeland Security			90,502		82,422	
U.S. Department of Transportation						
<i>Passed through the Ohio Department of Transportation:</i>						
Local Bridge Replacement	20.205		154,231		154,231	
U.S. General Service Agency						
<i>Passed through the Ohio Secretary of State:</i>						
Help America Vote Act	39.011		7,934			
U.S. Department of Justice						
<i>Passed through the Ohio Criminal Justice Services:</i>						
Victims of Crime Assistance	16.575	02-VAGENE-306 03-VAGENE-306T	30,801 10,266 <u>41,067</u>		30,523 9,206 <u>39,729</u>	0
Total U.S. Department of Justice			41,067	0	39,729	0
Total			<u>\$2,585,066</u>	<u>\$9,289</u>	<u>\$2,686,990</u>	<u>\$9,289</u>

The accompanying notes to this federal schedule are an integral part of this schedule.

ASHLAND COUNTY

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - TITLE XIX MEDICAL ASSISTANCE GRANT

Federal funds were commingled with other revenues for the Title XIX Medical Assistance Grant. It is assumed federal monies are expended first.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At December 31, 2003, the County had no significant food commodities in inventory.

NOTE D - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAM

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The U.S. Department of Housing and Urban Development (HUD) grants money for these loans to the County. The initial loan of this money is recorded as an expenditure on the accompanying Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as expenditures on the Schedule.

These loans are collateralized by the assets of the businesses. At December 31, 2003, the gross amount of loans outstanding was \$29,526 in Community Development Block Grant Loans.

NOTE E - MATCHING REQUIREMENTS

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

NOTE F – U.S. DEPARTMENT OF HOMELAND SECURITY FEDERAL AWARDS

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of other Federal agencies related to homeland security. Effective January 24, 2003, the Department began to administer certain Federal awards the County previously received from other Federal agencies. The accompanying Schedule of Receipts and Expenditures of Federal Awards reports all such 2003 award amounts under the Department's Catalog of Federal Domestic Assistance (CFDA) numbers. The purposes and compliance requirement of these programs has not changed. A comparison of the former Federal agencies' and CFDA numbers the County reported in its 2002 Schedule of Receipts and Expenditures of Federal Awards compared with the Department's CFDA numbers reported in the 2003 Schedule follows:

<u>Previous Federal Agency</u>	<u>CFDA No. used in 2002</u>	<u>Homeland Security CFDA No. used for 2003</u>
Department of Justice	16.007	97.004
Emergency Management Agency	83.562	97.051

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Auditor of State Betty Montgomery

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

Ashland County
142 West 2nd Street
Ashland, Ohio 44805

To the County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ashland County, Ohio, (the County) as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 6, 2004 in which we noted the County implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and changed its capital asset capitalization threshold. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to the County's management in a separate letter dated December 6, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the County's management in a separate letter dated December 6, 2004.

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www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

December 6, 2004



Auditor of State Betty Montgomery

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

Ashland County
142 West 2nd Street
Ashland, Ohio 44805

To the County Commissioners:

Compliance

We have audited the compliance of Ashland County, Ohio, (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The County's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings as item 2003-002.

Internal Control Over Compliance

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

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Betty Montgomery
Auditor of State

December 6, 2004

ASHLAND COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs= Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Medical Assistance Program CFDA# 93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	2003-001
-----------------------	-----------------

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states in part, that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Commissioners may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$100, the fiscal officer may authorize it to be paid without the affirmation of the Board of Commissioners upon completion of the “then and now” certificate, provided that the expenditure is otherwise valid.

Twenty-three percent of expenditures tested were not certified by the County Auditor or Deputy Auditor prior to incurring the commitment and the two exceptions noted above were not utilized. The County should certify the availability of funds, prior to incurring the expenditure obligation. In addition, as a further means to certify the availability of funds, the County should implement the use of Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

3. FINDINGS FOR FEDERAL AWARDS

Federal Noncompliance

Finding Number	2003-002
CFDA Title and Number	Community Development Block Grants/State’s Program CFDA #14.228 and HOME Program CFDA #14.239
Federal Award Number/Year	B-C-01-003-1 – 2001 B-C-01-003-2 – 2001
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Ohio Department of Development Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook Section A(3)f, requires grantees to develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance less than \$5,000 within fifteen days of receipt of any funds.

Finding Number	2003-002 (Continued)
-----------------------	-----------------------------

Of the items tested for availability, 64.5% were not disbursed within the 15 days of the receipt of grant funds.

The failure to disburse the funds within the available period could result in the forfeiture of federal funding, and grantor agencies may require repayment of amounts disbursed outside the available period.

The County must monitor the grant cash balances to ensure that all funds are disbursed within the available period.

ASHLAND COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Ohio Rev. Code Section 5705.41(D) - availability of funds to pay various expenditures was not properly certified.	No	Not corrected. See Finding Number 2003-001

ASHLAND COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-002	The Ashland County Regional Planning Commission is working with the program administrator, "Ohio Regional Development" to correct reported cash management noncompliance. The Ashland County Regional Planning Commission is currently developing new policies and procedures for cash management for the CHIP and Home programs.	February 28, 2005	Mike Wolfson, Director of Ashland County Regional Planning



**Auditor of State
Betty Montgomery**

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FINANCIAL CONDITION

ASHLAND 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
DECEMBER 28, 2004**