



**ASHLAND COUNTY
FINANCIAL CONDITION**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

ASHLAND COUNTY
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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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, each major fund and the aggregate discretely presented component unit and remaining fund information of Ashland County, Ohio, (the County) as of and for the year ended December 31, 2004, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, each major fund and the aggregate discretely presented component unit and remaining fund information of Ashland County, Ohio, as of December 31, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2005, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information 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.

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We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The Federal Awards Receipts and Expenditures Schedule 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 Federal Awards Receipts and Expenditures Schedule 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

September 23, 2005

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
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, 2004. The intent of this discussion and analysis is to look at the County's financial performance as a whole.

Highlights

In total, the County's net assets increased \$858,446 or slightly over 1.5 percent. This insignificant change from the prior year 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 2004. 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.

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.

Ashland County, Ohio
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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 balances 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
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Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2004 and 2003.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<u>Assets</u>						
Current and Other Assets	\$24,436,672	\$22,294,865	\$1,356,310	\$1,595,805	\$25,792,982	\$23,890,670
Capital Assets, Net	45,779,902	46,247,453	1,408,168	1,445,852	47,188,070	47,693,305
Total Assets	<u>70,216,574</u>	<u>68,542,318</u>	<u>2,764,478</u>	<u>3,041,657</u>	<u>72,981,052</u>	<u>71,583,975</u>
<u>Liabilities</u>						
Current and Other Liabilities	8,183,280	7,106,960	91,550	113,710	8,274,830	7,220,670
Long-Term Liabilities	5,997,275	6,531,380	1,931,089	1,912,513	7,928,364	8,443,893
Total Liabilities	<u>14,180,555</u>	<u>13,638,340</u>	<u>2,022,639</u>	<u>2,026,223</u>	<u>16,203,194</u>	<u>15,664,563</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	40,699,824	40,582,498	1,408,168	1,445,852	42,107,992	42,028,350
Restricted	10,272,960	8,648,083	0	0	10,272,960	8,648,083
Unrestricted (Deficit)	5,063,235	5,673,397	(666,329)	(430,418)	4,396,906	5,242,979
Total Net Assets	<u>\$56,036,019</u>	<u>\$54,903,978</u>	<u>\$741,839</u>	<u>\$1,015,434</u>	<u>\$56,777,858</u>	<u>\$55,919,412</u>

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 increased just over \$2 million from the prior year. Two sources primarily attributed to this increase, amounts due from other governments increased as a result of grants awarded for alcohol, drug addition, and mental health purposes and for homeland security. Taxes receivable increased due to the approval of a 1.5 mill operating levy for mental retardation and developmental disabilities. These increases are also reflected in the increase in current and other liabilities (deferred revenue associated with both grants and taxes) and the increase in restricted net assets.

A decrease in cash and cash equivalents for business-type activities resulted in a decrease in unrestricted net assets (primarily in the Landfill where cash decreased \$267,802).

Ashland County, Ohio
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Table 2 reflects the change in net assets for 2004 and 2003.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$3,913,386	\$3,639,386	\$1,398,356	\$1,366,888	\$5,311,742	\$5,006,274
Operating Grants, Contributions, and Interest	15,828,550	13,807,527	64,600	61,680	15,893,150	13,869,207
Capital Grants and Contributions	17,000	0	0	0	17,000	0
Total Program Revenues	<u>19,758,936</u>	<u>17,446,913</u>	<u>1,462,956</u>	<u>1,428,568</u>	<u>21,221,892</u>	<u>18,875,481</u>
General Revenues						
Property Taxes Levied for:						
General Operating	2,109,132	2,112,727	0	0	2,109,132	2,112,727
Health-Alcohol, Drug Addiction, and Mental Health Services	718,846	712,335	0	0	718,846	712,335
Health-Mental Retardation and Developmental Disabilities	2,349,510	1,904,133	0	0	2,349,510	1,904,133
Permissive Sales Taxes						
General Operations	4,341,146	3,737,488	0	0	4,341,146	3,737,488
County Jail Operations	684,619	566,595	0	0	684,619	566,595
Debt Service	400,200	356,850	0	0	400,200	356,850
Other Local Taxes	4,176	4,012	0	0	4,176	4,012
Grants and Entitlements	1,800,672	1,621,400	0	0	1,800,672	1,621,400
Interest	316,195	280,121	0	0	316,195	280,121
Other	1,462,966	1,599,991	9,158	0	1,472,124	1,599,991
Total General Revenues	<u>14,187,462</u>	<u>12,895,652</u>	<u>9,158</u>	<u>0</u>	<u>14,196,620</u>	<u>12,895,652</u>
Total Revenues	<u>33,946,398</u>	<u>30,342,565</u>	<u>1,472,114</u>	<u>1,428,568</u>	<u>35,418,512</u>	<u>31,771,133</u>
<u>Program Expenses</u>						
General Government:						
Legislative and Executive	5,336,861	4,917,981	0	0	5,336,861	4,917,981
Judicial	1,559,406	1,523,001	0	0	1,559,406	1,523,001
Public Safety						
Sheriff	5,214,502	4,966,932	0	0	5,214,502	4,966,932
Other	417,950	84,411	0	0	417,950	84,411
Public Works	4,214,257	4,556,923	0	0	4,214,257	4,556,923
Health						
Alcohol, Drug Addiction, and Mental Health Services	4,113,464	3,768,936	0	0	4,113,464	3,768,936
Mental Retardation and Developmental Disabilities	4,514,536	5,299,215	0	0	4,514,536	5,299,215
Other	266,536	304,506	0	0	266,536	304,506

(continued)

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Table 2
Change in Net Assets
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Human Services						
Children Services	\$1,172,785	\$1,395,301	\$0	\$0	\$1,172,785	\$1,395,301
Job and Family Services	3,095,361	3,335,998	0	0	3,095,361	3,335,998
Other	1,399,464	1,496,200	0	0	1,399,464	1,496,200
Conservation and Recreation	46,154	42,409	0	0	46,154	42,409
Intergovernmental	586,048	355,655	0	0	586,048	355,655
Internal Service Fund-External Portion	142,309	116,433	0	0	142,309	116,433
Interest and Fiscal Charges	372,444	312,939	0	0	372,444	312,939
County Home	0	0	1,005,879	1,070,102	1,005,879	1,070,102
Landfill	0	0	525,395	401,063	525,395	401,063
Recycling	0	0	576,715	406,385	576,715	406,385
Total Expenses	<u>32,452,077</u>	<u>32,476,840</u>	<u>2,107,989</u>	<u>1,877,550</u>	<u>34,560,066</u>	<u>34,354,390</u>
Increase (Decrease) in Net Assets Before Transfers	1,494,321	(2,134,275)	(635,875)	(448,982)	858,446	(2,583,257)
Transfers	(362,280)	(280,339)	362,280	280,339	0	0
Increase (Decrease) in Net Assets	<u>\$1,132,041</u>	<u>(\$2,414,614)</u>	<u>(\$273,595)</u>	<u>(\$168,643)</u>	<u>\$858,466</u>	<u>(\$2,583,257)</u>

A review of the above table reveals few changes of significance from the prior year for either governmental or business-type activities. Program revenues for governmental activities represented 58 percent of total revenues for 2004, about the same as for 2003. The largest source of program revenues is reflected in operating grants and contributions with both the health and human services programs receiving a substantial amount of grant revenues. These resources increased in 2004 primarily from grants awarded for alcohol, drug addiction, and mental health purposes. The County also received resources for homeland security in 2004. The public works program, primarily the Engineer, receives a substantial amount of resources from motor vehicle license and gas tax. The primary sources for the County's general revenues are from property and sales taxes.

The programs having the greatest costs continue to be for 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 almost 82 percent of all governmental expenses.

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

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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.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2004	2003	2004	2003
General Government:				
Legislative and Executive	\$5,336,861	\$4,917,981	\$3,130,230	\$2,429,558
Judicial	1,559,406	1,523,001	431,735	440,372
Public Safety				
Sheriff	5,214,502	4,966,932	4,371,316	4,073,015
Other	417,950	84,411	(63,217)	83,035
Public Works	4,214,257	4,556,923	302,521	925,760
Health				
Alcohol, Drug Addiction and Mental Health Services	4,113,464	3,768,936	162,856	505,358
Mental Retardation and Developmental Disabilities	4,514,536	5,299,215	2,250,297	3,366,445
Other	266,536	304,506	127,510	70,470
Human Services				
Children Services	1,172,785	1,395,301	781,983	870,988
Job and Family Services	3,095,361	3,335,998	35,035	609,202
Other	1,399,464	1,496,200	386,293	473,550
Conservation and Recreation	46,154	42,409	46,154	42,409
Intergovernmental	586,048	355,655	348,129	287,155
Internal Service Fund-External Portion	142,309	116,433	9,855	(6,762)
Interest and Fiscal Charges	372,444	312,939	372,444	312,939
Total Expenses	<u>\$32,452,077</u>	<u>\$32,476,840</u>	<u>\$12,693,141</u>	<u>\$14,483,494</u>

The County's general revenues (primarily property taxes, sales taxes, and unrestricted grants and entitlements) support over 42 percent of the governmental programs provided by the County. The percentage of support provided by program revenues increased slightly from the prior year as program revenues increased over \$2.3 million. As mentioned earlier, additional grants awarded for alcohol, drug addition, and mental health purposes and for homeland security reflect the largest increases. A number of the County's programs have consistently received substantial support through program revenues. For instance, almost 41 percent of legislative and executive costs were provided for through various charges for services. The judicial program also provides for over 72 percent of its costs through various fines, court costs, and grants. A considerable portion of the public works program is provided for through program revenues, primarily motor vehicle license and gas taxes. Various operating grants provided for over 96 percent of the costs for alcohol, drug addition, and mental health services programs and for over 94 percent of the costs for job and family services activities. Programs through Dale Roy are also largely funded by operating grants, which provide for about half of their operating costs.

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One item which may require some further clarification is the internal service fund-external portion. This represents the costs associated with various agencies which participate in the County's insurance program. For 2004, the amount contributed by these agencies was less than the costs of their employees' claims by \$9,855.

Governmental Funds Financial Analysis

The County's major governmental funds are the General Fund and the 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. A review of the statement of revenues, expenditures, and changes in fund balances reveals that increases in fund balance were significant for the Job and Family Services; Alcohol, Drug Addiction, and Mental Health Services; and Mental Retardation and Developmental Disabilities funds. A combination of increased revenues and decreased expenditures for these funds led to the improvement in fund balances. All three funds had increases in revenues provided by intergovernmental sources (generally grants and entitlements).

Business-Type Activities Financial Analysis

As occurred in 2003, all three of the County's enterprise funds again had operating losses in 2004 and two of the funds, the County Home and Landfill both experienced greater losses than those of the prior year. While the decrease in net assets was not too significant for the County Home and Recycling funds, there was a \$223,733 (or 59 percent) decrease in the Landfill's net assets. This is due primarily to the fact that the landfill is in the postclosure phase and has limited revenue.

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.

Capital Assets and Debt Administration

Capital Assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2004, was \$40,699,824 and \$1,408,168, respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land, land improvements, 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 minimal. For further information regarding the County's capital assets, refer to Note 10 to the basic financial statements.

Debt - At December 31, 2004, the County had \$500,000 in tax anticipation notes payable from governmental activities. The County also had outstanding general obligation bonds, in the amount of \$5,075,000, and capital leases, in the amount of \$5,078.

Ashland County, Ohio
Management's Discussion and Analysis
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In addition to the debt outlined above, the County's long-term obligations also include compensated absences and landfill postclosure costs. For further information regarding the County's debt, refer to Notes 16 and 17 to the basic financial statements.

Current Issues

In August 2004, the County passed a 1.5 mill five-year operating levy for mental retardation and developmental disabilities which will generate approximately \$1.35 million annually.

There has also been significant construction of various retail establishments in the County which should provide for an increase in future sales tax revenues.

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

Ashland County
Statement of Net Assets
Primary Government and Discretely Presented Component Unit
December 31, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	D-R Services, Inc.
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$12,411,003	\$1,216,465	\$13,627,468	\$0
Cash and Cash Equivalents in Segregated Accounts	27,607	9,030	36,637	44,595
Accounts Receivable	43,322	86,655	129,977	17,371
Accrued Interest Receivable	75,228	0	75,228	0
Permissive Sales Taxes Receivable	851,620	0	851,620	0
Due from Other Governments	4,078,638	11,785	4,090,423	0
Due from External Parties	670	0	670	0
Internal Balances	(10,117)	10,117	0	0
Prepaid Items	70,478	0	70,478	0
Materials and Supplies Inventory	578,761	0	578,761	3,657
Inventory Held for Resale	0	22,258	22,258	0
Property Taxes Receivable	6,248,364	0	6,248,364	0
Other Local Taxes Receivable	12,410	0	12,410	0
Notes Receivable	48,688	0	48,688	0
Nondepreciable Capital Assets	849,533	118,865	968,398	0
Depreciable Capital Assets, Net	44,930,369	1,289,303	46,219,672	51,410
Total Assets	70,216,574	2,764,478	72,981,052	117,033
<u>Liabilities</u>				
Accrued Wages Payable	293,691	33,483	327,174	0
Accounts Payable	502,102	34,900	537,002	0
Contracts Payable	6,139	0	6,139	0
Due to Other Governments	367,066	23,167	390,233	1,162
Due to External Parties	36,864	0	36,864	0
Deferred Revenue	6,110,670	0	6,110,670	0
Claims Payable	335,615	0	335,615	0
Accrued Interest Payable	21,561	0	21,561	0
Notes Payable	500,000	0	500,000	0
Retainage Payable	9,572	0	9,572	0
Long-Term Liabilities:				
Due Within One Year	613,000	49,299	662,299	0
Due in More Than One Year	5,384,275	1,881,790	7,266,065	0
Total Liabilities	14,180,555	2,022,639	16,203,194	1,162
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	40,699,824	1,408,168	42,107,992	51,410
Restricted for:				
Debt Service	681,754	0	681,754	0
Other Purposes	9,591,206	0	9,591,206	0
Unrestricted (Deficit)	5,063,235	(666,329)	4,396,906	64,461
Total Net Assets	\$56,036,019	\$741,839	\$56,777,858	\$115,871

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

Ashland County
Statement of Activities
Primary Government and Discretely Presented Component Unit
For the Year Ended December 31, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities</u>				
General Government				
Legislative and Executive	\$5,336,861	\$2,188,971	\$660	\$17,000
Judicial	1,559,406	619,055	508,616	0
Public Safety				
Sheriff	5,214,502	305,779	537,407	0
Other	417,950	4,741	476,426	0
Public Works	4,214,257	218,409	3,693,327	0
Health				
Alcohol, Drug Addiction, and Mental Health Services	4,113,464	0	3,950,608	0
Mental Retardation and Developmental Disabilities	4,514,536	3,350	2,260,889	0
Other	266,536	139,026	0	0
Human Services				
Children Services	1,172,785	0	390,802	0
Job and Family Services	3,095,361	141,474	2,918,852	0
Other	1,399,464	160,127	853,044	0
Conservation and Recreation	46,154	0	0	0
Intergovernmental	586,048	0	237,919	0
Internal Service Fund-External Portion	142,309	132,454	0	0
Interest and Fiscal Charges	372,444	0	0	0
Total Governmental Activities	32,452,077	3,913,386	15,828,550	17,000
<u>Business-Type Activities</u>				
County Home	1,005,879	658,520	0	0
Landfill	525,395	293,438	8,000	0
Recycling	576,715	446,398	56,600	0
Total Business-Type Activities	2,107,989	1,398,356	64,600	0
Total Primary Government	\$34,560,066	\$5,311,742	\$15,893,150	\$17,000
<u>Component Unit</u>				
D-R Services, Inc.	\$264,766	\$242,386	\$0	\$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 Levied for
 General Operations
 County Jail Operations
 Debt Service
 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 - Restated (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.
(\$3,130,230)	\$0	(\$3,130,230)	\$0
(431,735)	0	(431,735)	0
(4,371,316)	0	(4,371,316)	0
63,217	0	63,217	0
(302,521)	0	(302,521)	0
(162,856)	0	(162,856)	0
(2,250,297)	0	(2,250,297)	0
(127,510)	0	(127,510)	0
(781,983)	0	(781,983)	0
(35,035)	0	(35,035)	0
(386,293)	0	(386,293)	0
(46,154)	0	(46,154)	0
(348,129)	0	(348,129)	0
(9,855)	0	(9,855)	0
(372,444)	0	(372,444)	0
(12,693,141)	0	(12,693,141)	0
0	(347,359)	(347,359)	0
0	(223,957)	(223,957)	0
0	(73,717)	(73,717)	0
0	(645,033)	(645,033)	0
(12,693,141)	(645,033)	(13,338,174)	0
0	0	0	(22,380)
2,109,132	0	2,109,132	0
718,846	0	718,846	0
2,349,510	0	2,349,510	0
4,341,146		4,341,146	0
684,619		684,619	0
400,200		400,200	0
4,176	0	4,176	0
1,800,672	0	1,800,672	0
316,195	0	316,195	103
0	0	0	30,244
1,462,966	9,158	1,472,124	4,611
14,187,462	9,158	14,196,620	34,958
(362,280)	362,280	0	0
1,132,041	(273,595)	858,446	12,578
54,903,978	1,015,434	55,919,412	103,293
\$56,036,019	\$741,839	\$56,777,858	\$115,871

Ashland County
Balance Sheet
Governmental Funds
December 31, 2004

	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	\$4,003,288	\$716,408	\$507,445	\$1,533,567
Cash and Cash Equivalents in Segregated Accounts	2,252	0	0	0
Accounts Receivable	20,964	85	0	0
Accrued Interest Receivable	73,303	1,022	0	0
Permissive Sales Taxes Receivable	681,290	0	0	0
Due from Other Governments	756,249	1,658,238	68,313	839,516
Due from External Parties	595	0	75	0
Interfund Receivable	76,405	0	99,712	0
Prepaid Items	69,556	0	0	0
Materials and Supplies Inventory	26,985	523,515	17,130	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	48,537	0	0	0
Property Taxes Receivable	2,228,768	0	0	752,454
Other Local Taxes Receivable	0	12,410	0	0
Notes Receivable	0	0	0	0
Total Assets	\$7,988,192	\$2,911,678	\$692,675	\$3,125,537
<u>Liabilities</u>				
Accrued Wages Payable	\$115,908	\$50,203	\$48,309	\$4,409
Accounts Payable	79,887	67,178	54,266	14,530
Contracts Payable	0	0	0	0
Due to Other Governments	129,343	22,223	35,454	4,376
Due to External Parties	0	0	29,222	0
Interfund Payable	0	0	796	0
Deferred Revenue	3,292,556	1,369,325	0	978,396
Accrued Interest Payable	0	0	0	0
Notes Payable	0	0	0	0
Retainage Payable	8,480	0	0	0
Total Liabilities	3,626,174	1,508,929	168,047	1,001,711
<u>Fund Balance</u>				
Reserved for Unclaimed Monies	48,537	0	0	0
Reserved for Notes Receivable	0	0	0	0
Reserved for Encumbrances	54,470	163,960	0	0
Unreserved, Reported in:				
General Fund	4,259,011	0	0	0
Special Revenue Funds	0	1,238,789	524,628	2,123,826
Debt Service Funds	0	0	0	0
Total Fund Balance	4,362,018	1,402,749	524,628	2,123,826
Total Liabilities and Fund Balance	\$7,988,192	\$2,911,678	\$692,675	\$3,125,537

See Accompanying Notes to the Basic Financial Statements

Mental Retardation and Developmental Disabilities	Other Governmental	Total
\$983,752	\$4,133,450	\$11,877,910
	25,355	27,607
5,765	11,598	38,412
296	607	75,228
0	170,330	851,620
360,184	396,138	4,078,638
0	0	670
0	552	176,669
922	0	70,478
9,641	1,490	578,761
0	0	48,537
3,267,142	0	6,248,364
0	0	12,410
0	48,688	48,688
<u>\$4,627,702</u>	<u>\$4,788,208</u>	<u>\$24,133,992</u>
\$53,414	\$21,448	\$293,691
46,896	239,345	502,102
0	6,139	6,139
48,027	127,643	367,066
0	7,642	36,864
0	166,989	167,785
3,509,457	423,620	9,573,354
417	0	417
500,000	0	500,000
0	1,092	9,572
<u>4,158,211</u>	<u>993,918</u>	<u>11,456,990</u>
0	0	48,537
0	42,461	42,461
0	37,125	255,555
0	0	4,259,011
469,491	3,045,156	7,401,890
0	669,548	669,548
<u>469,491</u>	<u>3,794,290</u>	<u>12,677,002</u>
<u>\$4,627,702</u>	<u>\$4,788,208</u>	<u>\$24,133,992</u>

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Ashland County
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 December 31, 2004

Total Governmental Fund Balances \$12,677,002

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. 45,779,902

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

Accounts Receivable	8,377	
Accrued Interest Receivable	74,317	
Permissive Sales Tax Receivable	405,230	
Due from Other Governments	2,837,066	
Property Taxes Receivable	137,694	
		3,462,684

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. (19,001)

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

Accrued Interest Payable	(21,144)	
General Obligation Bonds Payable	(5,075,000)	
Compensated Absences Payable	(917,197)	
Capital Leases Payable	(5,078)	
		(6,018,419)

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. 153,851

Net Assets of Governmental Activities \$56,036,019

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Alcohol, Drug Addiction, and Mental Health Services
<u>Revenues</u>				
Property Taxes	\$2,102,275	\$0	\$0	\$718,635
Permissive Sales Taxes	4,333,482	0	0	0
Other Local Taxes	4,176	167,999	0	0
Charges for Services	1,689,034	0	0	0
Licenses and Permits	3,945	0	0	0
Fines and Forfeitures	101,337	0	0	0
Intergovernmental	2,464,813	3,662,140	2,774,755	4,047,155
Interest	274,171	15,530	0	0
Rent	0	0	0	0
Other	589,028	28,975	241,759	160,266
Total Revenues	11,562,261	3,874,644	3,016,514	4,926,056
<u>Expenditures</u>				
Current:				
General Government				
Legislative and Executive	4,704,482	0	0	0
Judicial	1,347,467	0	0	0
Public Safety				
Sheriff	3,969,883	0	0	0
Other	84,095	0	0	0
Public Works	125,606	3,817,524	0	0
Health				
Alcohol, Drug Addiction, and Mental Health Services	0	0	0	4,113,980
Mental Retardation and Developmental Disabilities	0	0	0	0
Other	87,069	0	0	0
Human Services				
Children Services	0	0	0	0
Job and Family Services	0	0	2,899,623	0
Other	319,313	0	0	0
Conservation and Recreation	20,000	0	0	0
Intergovernmental	318,664	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	79,938	0	0	0
Total Expenditures	11,056,517	3,817,524	2,899,623	4,113,980
Excess of Revenues Over (Under) Expenditures	505,744	57,120	116,891	812,076
<u>Other Financing Sources (Uses)</u>				
Transfers In	236,411	0	125,009	0
Transfers Out	(1,162,763)	(74,533)	0	0
Total Other Financing Sources (Uses)	(926,352)	(74,533)	125,009	0
Changes in Fund Balances	(420,608)	(17,413)	241,900	812,076
Fund Balances Beginning of Year - Restated (Note 3)	4,782,626	1,420,162	282,728	1,311,750
Fund Balances End of Year	\$4,362,018	\$1,402,749	\$524,628	\$2,123,826

See Accompanying Notes to the Basic Financial Statements

Mental Retardation and Developmental Disabilities	Other Governmental	Total
\$2,327,665	\$0	\$5,148,575
0	1,082,194	5,415,676
0	0	172,175
3,350	1,459,681	3,152,065
0	156,129	160,074
0	53,331	154,668
2,223,418	2,311,558	17,483,839
7,196	12,408	309,305
0	141,474	141,474
198,491	237,625	1,456,144
<u>4,760,120</u>	<u>5,454,400</u>	<u>33,593,995</u>
0	673,361	5,377,843
0	212,487	1,559,954
0	877,354	4,847,237
0	336,405	420,500
0	80,623	4,023,753
0	0	4,113,980
4,410,477	0	4,410,477
0	157,743	244,812
0	1,172,785	1,172,785
0	196,513	3,096,136
0	1,074,350	1,393,663
0	0	20,000
0	267,384	586,048
4,877	580,000	584,877
7,001	288,012	374,951
<u>4,422,355</u>	<u>5,917,017</u>	<u>32,227,016</u>
<u>337,765</u>	<u>(462,617)</u>	<u>1,366,979</u>
0	750,007	1,111,427
0	(236,411)	(1,473,707)
0	513,596	(362,280)
337,765	50,979	1,004,699
<u>131,726</u>	<u>3,743,311</u>	<u>11,672,303</u>
<u>\$469,491</u>	<u>\$3,794,290</u>	<u>\$12,677,002</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, 2004

Changes in Fund Balances - Total Governmental Funds \$1,004,699

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	1,423,568	
Capital Contributions	17,000	
Depreciation	<u>(1,893,419)</u>	(452,851)

The cost of capital assets is removed from the capital asset account on the statement of net assets when disposed of, resulting in a loss on disposal of capital assets on the statement of activities. (14,700)

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

Property Taxes	28,913	
Permissive Sales Taxes	10,289	
Fines and Forfeitures	(15,012)	
Intergovernmental	148,083	
Interest	22,394	
Other	<u>8,282</u>	202,949

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	580,000	
Capital Leases Payable	<u>4,877</u>	584,877

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding obligations on the statement of net assets. 2,507

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	28,098	
Compensated Absences Payable	<u>(50,772)</u>	(22,674)

(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, 2004
(continued)

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. (162,911)

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. (9,855)

Change in Net Assets of Governmental Activities: \$1,132,041

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over</u>
				<u>(Under)</u>
<u>Revenues</u>				
Property Taxes	\$2,023,767	\$2,103,767	\$2,104,431	\$664
Permissive Sales Taxes	4,025,000	4,325,000	4,297,417	(27,583)
Other Local Taxes	4,000	4,000	4,176	176
Charges for Services	1,586,380	1,706,230	1,708,063	1,833
Licenses and Permits	4,100	4,100	3,945	(155)
Fines and Forfeitures	102,000	103,000	103,410	410
Intergovernmental	1,993,110	2,513,110	2,492,475	(20,635)
Interest	200,000	333,000	281,018	(51,982)
Other	332,943	479,093	509,309	30,216
Total Revenues	10,271,300	11,571,300	11,504,244	(67,056)
<u>Expenditures</u>				
Current:				
General Government				
Legislative and Executive	4,683,470	4,993,837	4,799,480	194,357
Judicial	1,446,822	1,493,968	1,369,506	124,462
Public Safety				
Sheriff	3,991,933	4,015,111	3,960,792	54,319
Other	123,350	123,175	87,513	35,662
Public Works	140,610	140,610	122,769	17,841
Health				
Other	82,540	82,540	80,524	2,016
Human Services				
Other	380,116	381,341	323,914	57,427
Conservation and Recreation	20,000	20,000	20,000	0
Intergovernmental	319,463	320,043	318,664	1,379
Total Expenditures	11,188,304	11,570,625	11,083,162	487,463
Excess of Revenues Over (Under) Expenditures	(917,004)	675	421,082	420,407
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	56,000	71,000	72,327	1,327
Advances In	0	0	30,903	30,903
Advances Out	(5,903)	(25,903)	(25,903)	0
Transfers In	170,000	170,000	236,411	66,411
Transfers Out	(1,386,735)	(1,351,156)	(1,162,763)	188,393
Total Other Financing Sources (Uses)	(1,166,638)	(1,136,059)	(849,025)	287,034
Changes in Fund Balance	(2,083,642)	(1,135,384)	(427,943)	707,441
Fund Balance Beginning of Year	4,326,135	4,326,135	4,326,135	0
Prior Year Encumbrances Appropriated	75,923	75,923	75,923	0
Fund Balance End of Year	\$2,318,416	\$3,266,674	\$3,974,115	\$707,441

See Accompanying Notes to the Basic Financial Statements

Ashland County,
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Motor Vehicle and Gasoline Tax Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<u>Revenues</u>				
Other Local Taxes	\$170,000	\$170,000	\$166,785	(\$3,215)
Intergovernmental	3,788,000	3,788,000	3,594,331	(193,669)
Interest	15,000	15,000	15,530	530
Other	0	0	28,379	28,379
Total Revenues	3,973,000	3,973,000	3,805,025	(167,975)
<u>Expenditures</u>				
Current:				
Public Works	4,718,467	4,718,610	4,059,313	659,297
Excess of Revenues Under Expenditures	(745,467)	(745,610)	(254,288)	491,322
<u>Other Financing Uses</u>				
Transfers Out	(74,533)	(74,533)	(74,533)	0
Changes in Fund Balance	(820,000)	(820,143)	(328,821)	491,322
Fund Balance Beginning of Year	881,126	881,126	881,126	0
Prior Year Encumbrances Appropriated	143	143	143	0
Fund Balance End of Year	\$61,269	\$61,126	\$552,448	\$491,322

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Job and Family Services Fund
For the Year Ended December 31, 2004

	<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	\$3,062,700	\$3,062,700	\$2,778,675	(\$284,025)
Other	600,000	318,000	240,916	(77,084)
Total Revenues	3,662,700	3,380,700	3,019,591	(361,109)
<u>Expenditures</u>				
Current:				
Human Services				
Job and Family Services	4,012,700	4,163,700	3,020,388	1,143,312
Excess of Revenues Under Expenditures	(350,000)	(783,000)	(797)	782,203
<u>Other Financing Sources</u>				
Transfers In	350,000	632,000	125,009	(506,991)
Changes in Fund Balance	0	(151,000)	124,212	275,212
Fund Balance Beginning of Year	383,233	383,233	383,233	0
Fund Balance End of Year	<u>\$383,233</u>	<u>\$232,233</u>	<u>\$507,445</u>	<u>\$275,212</u>

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Alcohol, Drug Addiction, and Mental Health Services Fund
For the Year Ended December 31, 2004

	<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	\$698,898	\$698,898	\$719,601	\$20,703
Intergovernmental	2,802,145	3,402,145	3,529,016	126,871
Other	299,858	299,858	160,127	(139,731)
Total Revenues	3,800,901	4,400,901	4,408,744	7,843
<u>Expenditures</u>				
Current:				
Health				
Alcohol, Drug Addiction, and Mental Health Services	3,750,405	4,196,025	4,158,487	37,538
Changes in Fund Balance	50,496	204,876	250,257	45,381
Fund Balance Beginning of Year	1,261,141	1,261,141	1,261,141	0
Fund Balance End of Year	<u>\$1,311,637</u>	<u>\$1,466,017</u>	<u>\$1,511,398</u>	<u>\$45,381</u>

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Mental Retardation and Developmental Disabilities Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$2,219,360	\$2,219,360	\$2,189,949	(\$29,411)
Charges for Services	0	6,000	2,561	(3,439)
Intergovernmental	2,292,414	2,349,214	2,191,700	(157,514)
Interest	10,000	10,000	7,196	(2,804)
Other	131,000	157,200	199,141	41,941
Total Revenues	4,652,774	4,741,774	4,590,547	(151,227)
<u>Expenditures</u>				
Current:				
Health				
Mental Retardation and Developmental Disabilities	4,728,279	4,995,434	4,377,015	618,419
Excess of Revenues Over (Under) Expenditures	(75,505)	(253,660)	213,532	467,192
<u>Other Financing Sources</u>				
Proceeds of Notes	300,000	300,000	300,000	0
Changes in Fund Balance	224,495	46,340	513,532	467,192
Fund Balance Beginning of Year	365,621	365,621	365,621	0
Fund Balance End of Year	\$590,116	\$411,961	\$879,153	\$467,192

See Accompanying Notes to the Basic Financial Statements

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Ashland County
Statement of Fund Net Assets
Proprietary Funds
December 31, 2004

	Business-Type Activities			
	County Home	Landfill	Recycling	Total Enterprise
<u>Assets</u>				
<u>Current Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$33,350	\$59,902	\$14,769	\$108,021
Cash and Cash Equivalents in Segregated Accounts	0	0	9,030	9,030
Accounts Receivable	24,562	43,081	19,012	86,655
Due from Other Governments	333	24	11,428	11,785
Inventory Held for Resale	0	0	22,258	22,258
	<u>58,245</u>	<u>103,007</u>	<u>76,497</u>	<u>237,749</u>
<u>Total Current Assets</u>				
<u>Non-Current Assets</u>				
<u>Restricted Assets</u>				
Equity in Pooled Cash and Cash Equivalents	0	1,108,444	0	1,108,444
Nondepreciable Capital Assets	0	61,465	57,400	118,865
Depreciable Capital Assets, Net	877,465	42,435	369,403	1,289,303
	<u>877,465</u>	<u>1,212,344</u>	<u>426,803</u>	<u>2,516,612</u>
<u>Total Non-Current Assets</u>				
	<u>877,465</u>	<u>1,212,344</u>	<u>426,803</u>	<u>2,516,612</u>
<u>Total Assets</u>	<u>935,710</u>	<u>1,315,351</u>	<u>503,300</u>	<u>2,754,361</u>
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accrued Wages Payable	22,139	772	10,572	33,483
Accounts Payable	19,961	10,791	4,148	34,900
Compensated Absences Payable	7,380	306	3,923	11,609
Due to Other Governments	15,418	2,998	4,751	23,167
Interfund Payable	7,548	0	1,336	8,884
Claims Payable	0	0	0	0
Postclosure Costs Payable	0	37,690	0	37,690
	<u>72,446</u>	<u>52,557</u>	<u>24,730</u>	<u>149,733</u>
<u>Total Current Liabilities</u>				
	<u>72,446</u>	<u>52,557</u>	<u>24,730</u>	<u>149,733</u>
<u>Non-Current Liabilities</u>				
<u>Liabilities Payable from Restricted Assets</u>				
Postclosure Costs Payable	0	1,108,444	0	1,108,444
Compensated Absences Payable	11,774	2,539	5,494	19,807
Postclosure Costs Payable	0	753,539	0	753,539
	<u>11,774</u>	<u>1,864,522</u>	<u>5,494</u>	<u>1,881,790</u>
<u>Total Non-Current Liabilities</u>				
	<u>11,774</u>	<u>1,864,522</u>	<u>5,494</u>	<u>1,881,790</u>
<u>Total Liabilities</u>	<u>84,220</u>	<u>1,917,079</u>	<u>30,224</u>	<u>2,031,523</u>
<u>Net Assets</u>				
Invested in Capital Assets	877,465	103,900	426,803	1,408,168
Unrestricted (Deficit)	(25,975)	(705,628)	46,273	(685,330)
	<u>\$851,490</u>	<u>(\$601,728)</u>	<u>\$473,076</u>	<u>722,838</u>

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

19,001

Net Assets of Business-Type Activities

\$741,839

See Accompanying Notes to the Basic Financial Statements

Governmental
Activity

Internal
Service

\$484,556
0
4,910
0
0

489,466

0
0
0

0

489,466

0
0
0
0
0
335,615
0

335,615

0
0
0

0

335,615

0
153,851

\$153,851

Ashland County
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

	Business-Type Activities			Total Enterprise
	County Home	Landfill	Recycling	
<u>Operating Revenues</u>				
Charges for Services - Internal	\$658,520	\$293,438	\$111,400	\$1,063,358
Charges for Services - External	0	0	0	0
Sale of Recyclables	0	0	334,998	334,998
Other	2,906	224	6,028	9,158
Total Operating Revenues	661,426	293,662	452,426	1,407,514
<u>Operating Expenses</u>				
Personal Services	759,405	57,667	282,639	1,099,711
Materials and Supplies	78,366	108,291	1,866	188,523
Contractual Services	73,755	214,345	37,602	325,702
Claims	0	0	0	0
Other	32,053	137,421	171,382	340,856
Depreciation	42,826	7,671	42,504	93,001
Total Operating Expenses	986,405	525,395	535,993	2,047,793
Operating Loss	(324,979)	(231,733)	(83,567)	(640,279)
<u>Non-Operating Revenues (Expenses)</u>				
Loss of Disposal of Capital Assets	0	0	(35,853)	(35,853)
Grants	0	8,000	56,600	64,600
Total Non-Operating Revenues (Expenses)	0	8,000	20,747	28,747
Loss Before Transfers	(324,979)	(223,733)	(62,820)	(611,532)
Transfers In	362,280	0	0	362,280
Changes in Net Assets	37,301	(223,733)	(62,820)	(249,252)
Net Assets (Deficit) Beginning of Year	814,189	(377,995)	535,896	
Net Assets (Deficit) End of Year	\$851,490	(\$601,728)	\$473,076	
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 loss of the internal service fund.				(24,343)
Change in Net Assets of Business-Type Activities				(\$273,595)

See Accompanying Notes to the Basic Financial Statements

Governmental Activity
<hr/>
Internal Service
<hr/>
\$2,516,618
\$132,454
0
<hr/> 0
2,649,072
<hr/>
0
0
345,458
2,500,723
0
<hr/> 0
2,846,181
<hr/>
(197,109)
<hr/>
0
<hr/> 0
0
<hr/>
(197,109)
<hr/>
0
<hr/>
(197,109)
<hr/>
350,960
<hr/>
<u>\$153,851</u>

Ashland County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	<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	\$667,327	\$271,307	\$449,013	\$1,387,647
Cash Received from Transactions with Other Funds	0		0	0
Cash Received from Other Revenues	2,573	200	5,920	8,693
Cash Payments for Personal Services	(582,563)	(46,698)	(228,189)	(857,450)
Cash Payments to Suppliers	(167,485)	(307,633)	(40,004)	(515,122)
Cash Payments for Claims	0		0	0
Cash Payments for Transactions with Other Funds	(174,658)	(9,895)	(49,489)	(234,042)
Cash Payments for Other Expenses	(30,895)	(144,375)	(180,902)	(356,172)
Net Cash Used for Operating Activities	<u>(285,701)</u>	<u>(237,094)</u>	<u>(43,651)</u>	<u>(566,446)</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Grants	0	8,000	56,548	64,548
Transfers In	362,280	0	0	362,280
Net Cash Provided by Noncapital Financing Activities	<u>362,280</u>	<u>8,000</u>	<u>56,548</u>	<u>426,828</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition of Capital Assets	(52,462)	(38,708)	0	(91,170)
Net Increase (Decrease) in Cash and Cash Equivalents	24,117	(267,802)	12,897	(230,788)
Cash and Cash Equivalents Beginning of Year	9,233	1,436,148	10,902	1,456,283
Cash and Cash Equivalents End of Year	<u>\$33,350</u>	<u>\$1,168,346</u>	<u>\$23,799</u>	<u>\$1,225,495</u>

Governmental
Activity

Internal
Service

\$0
2,644,767
0
0
(345,458)
(2,528,879)
0
0

(229,570)

0
0

0

0

(229,570)

714,126

\$484,556

Ashland County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004
(continued)

	Business-Type Activities			Total Enterprise
	County Home	Landfill	Recycling	
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</u>				
Operating Loss	(\$324,979)	(\$231,733)	(\$83,567)	(\$640,279)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities</u>				
Depreciation	42,826	7,671	42,504	93,001
Changes in Assets and Liabilities				
(Increase) Decrease in Accounts Receivable	8,807	(22,131)	2,615	(10,709)
Increase in Inventory Held for Resale	0	0	(4,698)	(4,698)
Increase in Due from Other Governments	(333)	(24)	(108)	(465)
Increase in Accrued Wages Payable	5,467	309	2,178	7,954
Decrease in Accounts Payable	(15,336)	(11,204)	(4,992)	(31,532)
Increase (Decrease) in Compensated Absences Payable	(2,928)	1,031	3,460	1,563
Increase (Decrease) in Due to Other Governments	95	1,974	(651)	1,418
Increase (Decrease) in Interfund Payable	680	0	(392)	288
Decrease in Claims Payable	0	0	0	0
Increase in Postclosure Costs Payable	0	17,013	0	17,013
Total Adjustments	39,278	(5,361)	39,916	73,833
Net Cash Used for Operating Activities	<u>(\$285,701)</u>	<u>(\$237,094)</u>	<u>(\$43,651)</u>	<u>(\$566,446)</u>

See Accompanying to the Basic Financial Statements

Governmental
Activity

Internal
Service

(\$197,109)

0

(4,305)

0

0

0

0

0

0

0

(28,156)

0

(32,461)

(\$229,570)

Ashland County
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2004

Assets

Equity in Pooled Cash and Cash Equivalents	\$2,200,600
Cash and Cash Equivalents in Segregated Accounts	517,111
Accounts Receivable	7,768,377
Due from Other Governments	2,286,122
Due from External Parties	36,864
Property Taxes Receivable	43,695,989
Other Local Taxes Receivable	9,767
Special Assessments Receivable	169,213

Total Assets \$56,684,043

Liabilities

Due to Other Governments	47,616,872
Due to External Parties	670
Undistributed Assets	9,066,501

Total Liabilities \$56,684,043

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.

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. Exclusion of D-R Services, Inc. from the County's financial statements would result in misleading financial statements for 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 or to its enterprise funds. Following are the more significant of the County's accounting policies.

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 ongoing postclosure activities at the landfill, which closed in 1997. In addition, the fund receives a remittance on the fees collected by the Noble Road Landfill in Richland County for the dumping of Ashland County waste.

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 2004. 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 balances 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 (e.g., revenues) and decreases (e.g., 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, 2004, but were levied to finance 2005 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 certificate 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”.

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 2004, 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, 2004.

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 2004 was \$274,171, which includes \$209,457 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, 2004, 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 on their use 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, 2004

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. The County reports all infrastructure assets.

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:

	Governmental Activities	Business-Type Activities
Land Improvements	20-50 years	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 provided 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 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 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 resources restricted for 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. As of December 31, 2004, net assets restricted by enabling legislation was \$1,646,676.

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. Capital Contributions

Capital contributions arise from outside contributions of capital assets.

R. 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.

S. 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.

T. 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.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 3 - Change in Accounting Principles, Correction of Errors, and Restatement of Fund Equity

A. Change in Accounting Principles

For 2004, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 39 establishes additional guidance on the application of existing standards for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the primary government. The implementation of this statement did not result in any change to the County's financial statements.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Technical Bulletin 2004-2 establishes new guidance addressing the amount that should be recognized as expenditures/expenses and as liabilities each period by employers participating in cost-sharing multiple-employer pension and other postemployment benefit plans. The implementation of this bulletin did not result in any change to the County's financial statements.

B. Correction of Errors

The County recorded permissive motor vehicle license taxes and permissive sales taxes incorrectly in the prior year.

C. Restatement of Fund Balance/Net Assets

The restatement due to the correction of errors had the following effect on fund balance of the major and nonmajor funds of the County and net assets of governmental activities as they were previously reported.

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Alcohol, Drug Addiction, and Mental Health Services
Fund Balance December 31, 2003	\$4,782,626	\$1,408,966	\$282,728	\$1,311,750
Correction of an Error				
Other Local Taxes Receivable	0	11,196	0	0
Adjusted Fund Balance	<u>\$4,782,626</u>	<u>\$1,420,162</u>	<u>\$282,728</u>	<u>\$1,311,750</u>

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 3 - Change in Accounting Principles, Correction of Errors, and Restatement of Fund Equity
(continued)

	Mental Retardation and Developmental Disabilities	Other Governmental	Total Governmental Activities
Fund Balance December 31, 2003	\$131,726	\$3,743,311	\$11,661,107
Correction of an Error			
Other Local Taxes Receivable	0	0	11,196
Adjusted Fund Balance	\$131,726	\$3,743,311	\$11,672,303

	Total Governmental Activities
Net Assets, December 31, 2003	\$55,413,164
Permissive Sales Taxes Receivable	(520,382)
Other Local Taxes Receivable	11,196
Adjusted Net Assets	\$54,903,978

Note 4 - Accountability

At December 31, 2004, the following funds had deficit fund balances/net assets:

Fund	Deficit
Special Revenue Funds	
CHIP	\$9,956
Violence Against Women	9,809
Mentoring Program	4,797
Rape Crisis Service	7,861
Workforce Investment Act	41,674
Law Enforcement Grant - Sheriff	5,158
Enterprise Fund	
Landfill	601,728

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.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 5 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balances 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; Job and Family Services; 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:

	Changes 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	(\$420,608)	(\$17,413)	\$241,900	\$812,076	\$337,765
<u>Increase (Decrease) Due To</u>					
Revenue Accruals					
Accrued 2003, Received in Cash 2004	502,493	232,811	71,465	95,296	92,073
Accrued 2004, Not Yet Received in Cash	(506,518)	(302,430)	(168,100)	(613,574)	(123,930)
Expenditure Accruals					
Accrued 2003, Paid in Cash 2004	(374,827)	(144,740)	(188,059)	(67,822)	(108,122)
Accrued 2004, Not Yet Paid in Cash	333,618	139,604	168,047	23,315	148,754

(continued)

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 2003	\$113,033	\$0	\$0	\$23,135	\$73,154
Unrecorded Activity 2004	(14,760)	0	0	(22,169)	(104,599)
Prepaid Items	(5,892)	0	0	0	(238)
Materials and Supplies Inventory	2,961	(72,693)	(1,041)	0	(1,325)
Tax Anticipation Notes					
Issued	0	0	0	0	300,000
Interest Paid on Tax Anticipation Notes	0	0	0	0	6,271
Reallocation of Debt Activity	0	0	0	0	(106,271)
Advances In	30,903	0	0	0	0
Advances Out	(25,903)	0	0	0	0
Excess of Revenues Under Expenditures for Nonbudgeted Activity	507	0	0	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(62,950)	(163,960)	0	0	0
Budget Basis	<u>(\$427,943)</u>	<u>(\$328,821)</u>	<u>\$124,212</u>	<u>\$250,257</u>	<u>\$513,532</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. Beginning June 15, 2004, inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

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, or any book entry zero-coupon United States treasury security that is a direct obligation of the United States;

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 6 - Deposits and Investments (continued)

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;
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 similar securities, or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation, and which mature within two hundred seventy days after purchase;
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;
10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and

Note 6 - Deposits and Investments (continued)

12. Up to 1 percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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 \$38,945 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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 \$4,661,673 and the bank balance was \$5,628,261. Of the bank balance \$756,139 was covered by federal depository insurance and \$4,872,122 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.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 6 - Deposits and Investments (continued)

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$1,688,928	\$1,688,928	\$1,689,062
Federal Home Loan Bank Bonds	6,227,447	6,227,447	6,227,447
Federal Home Loan Mortgage Corporation Notes	499,645	499,645	499,645
Federal National Mortgage Association Bonds	992,970	992,970	992,970
	<u>\$9,408,990</u>	9,408,990	9,409,124
STAR Ohio		2,272,208	2,272,208
Total Investments		<u>\$11,681,198</u>	<u>\$11,681,332</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". 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	\$16,381,816	\$0
Cash on Hand	(38,945)	0
Investments		
Repurchase Agreements	(1,688,928)	1,688,928
Federal Home Loan Bank Bonds	(6,227,447)	6,227,447
Federal Home Loan Mortgage Corporation Notes	(499,645)	499,645
Federal National Mortgage Association Bonds	(992,970)	992,970
STAR Ohio	(2,272,208)	2,272,208
GASB Statement No. 3	<u>\$4,661,673</u>	<u>\$11,681,198</u>

Note 7 - Receivables

Receivables at December 31, 2004, 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; amounts due from external parties; interfund; property taxes; other local 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 \$42,461, will not be received within one year.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 7 - Receivables (continued)

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

	Agency
Gross Accounts Receivable	\$11,165,197
Less Allowance for Uncollectible Accounts	(3,396,820)
Net Accounts Receivable	\$7,768,377

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 2004 follows:

	Balance December 31, 2003	New Loans	Repayments	Balance December 31, 2004
Special Revenue Fund				
CDBG Revolving Loan	\$29,526	\$25,000	\$5,838	\$48,688

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Local Government	
Local Government Revenue Assistance	\$609,911
Estate Tax	12,861
Auditor of State	2,002
Public Defender Grant	5,250
Homestead and Rollback	122,260
State of Ohio	3,571
Other	394
Total General Fund	756,249
Motor Vehicle and Gasoline Tax	
Gasoline Tax	796,630
Motor Vehicle License Tax	860,478
State of Ohio	511
Other	619
Total Motor Vehicle and Gasoline Tax	1,658,238
	(continued)

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 7 - Receivables (continued)

	Amount
Governmental Activities (continued)	
Job and Family Services	
ODHS Public Assistance	\$67,545
State of Ohio	768
Total Job and Family Services	68,313
Alcohol, Drug Addiction, and Mental Health Services	
Medicaid	250,665
State Disbursement	503,666
Block Grant - Federal	38,362
Youth Mentoring Initiative	6,071
Homestead and Rollback	40,613
State of Ohio	139
Total Alcohol, Drug Addiction, and Mental Health Services	839,516
Mental Retardation and Developmental Disabilities	
Subsidy Program	2,517
Title V	153
Title VI-B	34,782
Preschool	11,277
POS	7,606
Medicaid	106,525
Homestead and Rollback	195,669
State of Ohio	1,655
Total Mental Retardation and Developmental Disabilities	360,184
Total Major Funds	3,682,500
Nonmajor Funds	
Dog and Kennel	
State of Ohio	50
Real Estate Assessment	
State of Ohio	67
DARE	
State of Ohio	20
Victims of Crime Assistance	
Victims of Crime Grant	30,792
Children Services	
Title IV-E	30,116
PSCA	41,086

(continued)

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 7 - Receivables (continued)

	Amount
Governmental Activities (continued)	
Ashland County Emergency Grant	
Emergency Management Assistance	\$148,952
Child Support Enforcement Agency	
State of Ohio	204
Violence Against Women	
Violence Against Women Grant	9,763
Rape Crisis Service	
Rape Crisis Service Grant	7,861
Felony Delinquent Care	
RECLAIM Grant	69,130
Community Corrections	
Community Corrections Grant	58,097
Total Nonmajor Funds	396,138
Total Governmental Activities	\$4,078,638
Business-Type Activities	
County Home	
State of Ohio	\$333
Landfill	
State of Ohio	24
Recycling	
Recycling Grant	11,320
State of Ohio	108
Total Business-Type Activities	\$11,785
Agency Funds	
Local Government	\$525,243
Local Government Revenue Assistance	121,089
Library Local Government	949,221
Gasoline Tax	433,854
Motor Vehicle License Tax	237,190
Permissive Motor Vehicle License Tax	9,751
Bureau of Motor Vehicles	875
Homestead and Rollback	8,899
Total Agency Funds	\$2,286,122

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 jail operations and the repayment of the County Jail debt. 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 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, 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 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2002, were levied after October 1, 2003, 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.

Tangible personal property tax revenues received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. 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, tangible personal property, and outstanding delinquent taxes which were measurable as of December 31, 2004, and for which there was an enforceable legal claim. The entire receivable for property taxes has been deferred since the current taxes were not levied to finance 2004 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable was deferred.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 9 - Property Taxes (continued)

The full tax rate for all County operations for the year ended December 31, 2004, was \$8.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	
Residential	\$546,021,840
Agriculture	87,303,680
Commercial/Industrial/Mineral	108,559,240
Public Utility Property	
Real	317,910
Personal	65,317,110
Tangible Personal Property	86,727,022
Total Assessed Value	\$894,246,802

In August 2004, the voters approved a 1.5 mill five-year operating levy for Mental Retardation and Developmental Disabilities. Collections will begin in 2005.

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$849,533	\$0	\$0	\$849,533
Depreciable Capital Assets				
Land Improvements	0	106,000	0	106,000
Buildings	19,499,295	0	(28,000)	19,471,295
Building Improvements	754,854	105,800	0	860,654
Roads	39,570,332	1,050,168	0	40,620,500
Bridges	12,424,598	0	0	12,424,598
Equipment	1,638,784	157,485	0	1,796,269
Vehicles	2,039,173	21,115	0	2,060,288
Total Depreciable Capital Assets	75,927,036	1,440,568	(28,000)	77,339,604

(continued)

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 10 - Capital Assets (continued)

	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
Less Accumulated Depreciation for				
Land Improvements	\$0	(\$2,120)	\$0	(\$2,120)
Buildings	(3,122,050)	(425,142)	13,300	(3,533,892)
Building Improvements	(547,678)	(23,475)	0	(571,153)
Roads	(18,763,523)	(944,899)	0	(19,708,422)
Bridges	(5,963,807)	(248,492)	0	(6,212,299)
Equipment	(1,115,297)	(98,363)	0	(1,213,660)
Vehicles	(1,016,761)	(150,928)	0	(1,167,689)
Total Accumulated Depreciation	<u>(30,529,116)</u>	<u>(1,893,419)</u>	<u>13,300</u>	<u>(32,409,235)</u>
Total Depreciable Capital Assets, Net	<u>45,397,920</u>	<u>(452,851)</u>	<u>(14,700)</u>	<u>44,930,369</u>
Governmental Activities Capital Assets, Net	<u>\$46,247,453</u>	<u>(\$452,851)</u>	<u>(\$14,700)</u>	<u>\$45,779,902</u>

The County accepted a contribution of depreciable capital assets for governmental activities with a fair value of \$17,000 during 2004.

	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
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	52,462	0	267,311
Equipment	463,509	38,708	(51,219)	450,998
Vehicles	120,640	0	0	120,640
Total Depreciable Capital Assets	<u>2,364,684</u>	<u>91,170</u>	<u>(51,219)</u>	<u>2,404,635</u>
Less Accumulated Depreciation for				
Land Improvements	(30,227)	(2,453)	0	(32,680)
Buildings	(666,228)	(25,277)	0	(691,505)
Building Improvements	(85,939)	(12,054)	0	(97,993)
Equipment	(205,847)	(41,154)	15,366	(231,635)
Vehicles	(49,456)	(12,063)	0	(61,519)
Total Accumulated Depreciation	<u>(1,037,697)</u>	<u>(93,001)</u>	<u>15,366</u>	<u>(1,115,332)</u>
Total Depreciable Capital Assets, Net	<u>1,326,987</u>	<u>(1,831)</u>	<u>(35,853)</u>	<u>1,289,303</u>
Business-Type Activities Capital Assets, Net	<u>\$1,445,852</u>	<u>(\$1,831)</u>	<u>(\$35,853)</u>	<u>\$1,408,168</u>

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 10 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	\$58,366
Judicial	10,598
Public Safety	
Sheriff	330,714
Public Works	1,327,874
Health	
Mental Retardation and Developmental Disabilities	104,502
Other	1,219
Human Services	
Job and Family Services	31,457
Other	6,280
Conservation and Recreation	22,409
Total Depreciation Expense - Governmental Activities	\$1,893,419

Note 11 - Interfund Receivables/Payables

Interfund balances at December 31, 2004, consisted of the following receivables and payables:

Due to General Fund from:	
Job and Family Services	\$244
Other Governmental	67,277
County Home	7,548
Recycling	1,336
Total General Fund	\$76,405
Due to Job and Family Services from:	
Other Governmental	\$99,712
Due to Other Governmental funds from:	
Job and Family Services	\$552

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 11 - Interfund Receivables/Payables (continued)

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.

The amount due to Job and Family Services was for services provided to other governmental funds. This amount is expected to be received within one year.

The amount due to other governmental funds resulted from the time lag between dates that payments between funds are made. This amount is 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 2004, 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	\$1,000,000
Excess Liability	9,000,000
Medical Professional Liability	11,000,000
Law Enforcement Professional Liability	1,000,000
Public Officials Errors and Omissions Liability	1,000,000
Automobile Liability	1,000,000
Uninsured Motorists Liability	250,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	1,000,000
Building and Contents	56,726,348
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

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 2003, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

Note 12 - Risk Management (continued)

For 2004, 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, 2004, are estimated by the third party administrator at \$335,615.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 12 - Risk Management (continued)

The changes in the claims liability for 2004 and 2003 were:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2004	\$363,771	\$2,500,723	\$2,528,879	\$335,615
2003	417,836	1,957,644	2,011,709	363,771

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 2003, and settled claims have not exceed 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, 2004, 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 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7 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, 2004

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, 2004, 2003, and 2002 was \$1,155,099, \$1,023,741, and \$1,015,107, respectively; 89 percent has been contributed for 2004 and 100 percent has been contributed for 2003 and 2002. The unpaid contribution for 2004, in the amount of \$130,957 is recorded as a liability. Contributions to the member-directed plan for 2004 were \$4,133 made by the County and \$6,588 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 DCP 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, 2004, 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, 2004, 2003, and 2002 was \$78,882, \$77,094, and \$56,925, respectively; 97 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002. Contributions for the CP for the fiscal year ended June 30, 2004, were \$1,120 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 2004 employer contribution rate was 13.55 percent of covered payroll (16.7 percent for law enforcement and public safety); 4.00 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, 2003, 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 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$469,368. 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, 2003 (the latest information available), was \$10.5 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

In September 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of health care reserve fund in response to skyrocketing health care costs.

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.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 14 - Postemployment Benefits (continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All 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, 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount was \$6,068.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,734,000, and STRS had 111,853 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-seven and one-half 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.

Note 16 - Notes Payable

The changes in the County's notes payable during 2004 were as follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
<u>Governmental Activities</u>					
<u>Tax Anticipation Notes</u>					
2003 Mental Retardation and Developmental Disabilities	2.50%	\$300,000	\$0	\$100,000	\$200,000
2004 Mental Retardation and Developmental Disabilities	2.85	0	300,000	0	300,000
Total Governmental Activities		\$300,000	300,000	100,000	\$500,000

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 16 - Notes Payable (continued)

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.

On December 31, 2004, 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 one year period, with final maturity in 2005. The notes have an interest rate of 2.85 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
2005	\$400,000	\$12,925
2006	100,000	1,875

Note 17 - Long-Term Obligations

The County's long-term obligations activity for the year ended December 31, 2004, was as follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
1991 Job and Family Services (Original Amount \$1,500,000)	5.0%	\$830,000	\$0	\$80,000	\$750,000	85,000
1994 County Garage (Original Amount \$1,100,000)	5.0	450,000	0	80,000	370,000	85,000
2001 County Jail (Original Amount \$5,100,000)	4.75	4,375,000	0	420,000	3,955,000	180,000
Total General Obligation Bonds		5,655,000	0	580,000	5,075,000	350,000
Other Long-Term Obligations						
Compensated Absences Payable		866,425	475,431	424,659	917,197	257,922
Capital Leases Payable		9,955	0	4,877	5,078	5,078
Total Other Long-Term Obligations		876,380	475,431	429,536	922,275	263,000
Total Governmental Activities		\$6,531,380	\$475,431	\$1,009,536	\$5,997,275	\$613,000
<u>Business-Type Activities</u>						
Other Long-Term Obligations						
Compensated Absences Payable		\$29,853	\$24,222	\$22,659	\$31,416	\$11,609
Closure/Postclosure Costs Payable		1,882,660	17,013	0	1,899,673	37,690
Total Business-Type Activities		\$1,912,513	\$41,235	\$22,659	\$1,931,089	\$49,299

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 17 - Long-Term Obligations (continued)

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; DRETAC , 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, 2004

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
2005	\$350,000	\$258,702
2006	375,000	240,123
2007	390,000	220,037
2008	410,000	199,025
2009	330,000	176,838
2010-2014	1,495,000	619,638
2015-2019	1,615,000	264,099
2020	110,000	5,225
	\$5,075,000	\$1,983,687

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, 2004, were an overall debt margin of \$20,405,718 and a unvoted debt margin of \$8,492,016.

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

	Date of Issue	Amount of Issue	Amount Outstanding December 31, 2004
Bretheran Care, Inc. - Brookwood Place	2/1/96	\$2,825,000	\$2,570,000
Good Shepherd Home for the Aged Project	1/21/99	3,960,000	3,595,000
Bretheran Care, Inc.	9/23/99	14,685,000	13,735,000
Good Shepherd Home-Assisted Living Facilities	11/15/99	4,750,000	4,600,000
		\$26,220,000	\$24,500,000

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, 2004

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 2004 were \$4,877 for governmental funds.

	Governmental Activities
Equipment	\$19,136
Less Accumulated Depreciation	(11,800)
Carrying Value, December 31, 2004	<u>\$7,336</u>

Principal and interest requirements, which will fully retire the debt in 2005, are \$5,078 and \$112, respectively.

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 \$1,899,673 reported as the landfill postclosure liability at December 31, 2004, 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, 2004 liability increased from the prior year by \$17,013.

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 demonstrates its ability to self-fund these future costs. As a result, the County has obtained a \$1.9 million line of credit from a local financial institution to guarantee payment of the postclosure costs.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 20 - Interfund Transfers

During 2004 the following transfers were made:

		Transfers Out			
		Governmental Funds			
Transfers In		General	Motor Vehicle and Gasoline Tax	Other Governmental	Total
		Governmental Activities			
	General	\$0	\$0	\$236,411	\$236,411
	Job and Family Services	125,009	0	0	125,009
	Other Governmental	675,474	74,533	0	750,007
	Total Governmental Activities	800,483	74,533	236,411	1,111,427
	Business-Type Activities				
	County Home	362,280		0	362,280
	Total	<u>\$1,162,763</u>	<u>\$74,533</u>	<u>\$236,411</u>	<u>\$1,473,707</u>

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.

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	\$8,670
Amount Received for Distribution	0
Amount Distributed to Entitled Recipients	<u>(5,765)</u>
Balance at End of Year	<u>\$2,905</u>

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 2004, the County contributed \$50,873 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. 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 2004, this allocation was \$20,000.

Note 25 - D-R Services, Inc.

A. Summary of Significant Accounting Policies

Reporting Entity

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, 2004

Note 25 - D-R Services, Inc.

Basis of Presentation

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 \$44,595 and the bank balance was \$46,592. 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, 2004, follows:

Equipment	\$225,082
Vehicles	51,465
	<u>276,547</u>
Less Accumulated Depreciation	(225,137)
Net Capital Assets	<u><u>\$51,410</u></u>

Note 26 - Related Party Transactions

During 2004, 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 \$19,379 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 \$2,624,640.

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
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2004**

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 Mental Health:</i>						
Alcohol and Drug Abuse and Mental Health Services Block Grant	93.992	FY04	\$21,785	-	\$21,785	-
		FY05	<u>18,038</u>	<u>-</u>	<u>18,038</u>	<u>-</u>
Total Alcohol and Drug Abuse and Mental Health Services Block Grant			39,823	-	39,823	-
Social Services Block Grant	93.667	FY04	45,396	-	45,396	-
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Social Services Block Grant	93.667	FY04	19,554	-	19,554	-
		FY05	<u>20,558</u>	<u>-</u>	<u>20,558</u>	<u>-</u>
			<u>40,112</u>	<u>-</u>	<u>40,112</u>	<u>-</u>
Total Social Services Block Grant			85,508	-	85,508	-
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>						
Block Grants for Prevention and Treatment of Substance Abuse	93.959	FY04	157,470	-	134,904	-
		FY05	<u>91,397</u>	<u>-</u>	<u>97,468</u>	<u>-</u>
Total Block Grants for Prevention and Treatment of Substance Abuse			248,867	-	232,372	-
<i>Passed through the Ohio Department of Mental Health:</i>						
Medical Assistance Program	93.778	FY04	533,472	-	565,021	-
		FY05	<u>618,056</u>	<u>-</u>	<u>509,102</u>	<u>-</u>
			<u>1,151,528</u>	<u>-</u>	<u>1,074,123</u>	<u>-</u>
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>						
Medical Assistance Program	93.778	FY04	41,905	-	41,086	-
		FY05	<u>39,354</u>	<u>-</u>	<u>38,902</u>	<u>-</u>
			<u>81,259</u>	<u>-</u>	<u>79,988</u>	<u>-</u>
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	93.778	FY04	81,676	-	81,676	-
		FY05	<u>211,430</u>	<u>-</u>	<u>211,430</u>	<u>-</u>
			<u>293,106</u>	<u>-</u>	<u>293,106</u>	<u>-</u>
Total Medical Assistance Program			1,525,893	-	1,447,217	-
<i>Passed through the Ohio Department of Mental Health:</i>						
Promoting Safe and Stable Families	93.556	02-CS-05-02	<u>8,723</u>	<u>-</u>	<u>8,723</u>	<u>-</u>
Total U.S. Department of Health and Human Services			1,908,814	-	1,813,643	-
U.S. Department of Housing and Urban Development						
<i>Passed through the Ohio Department of Development:</i>						
Community Development Block Grant State's Program	14.228	BF-03-003-1	237,919	-	238,547	-
		BC-03-003-1	<u>109,743</u>	<u>-</u>	<u>109,733</u>	<u>-</u>
Total Community Development Block Grant State's Program			<u>347,662</u>	<u>-</u>	<u>348,280</u>	<u>-</u>
HOME Investment Partnerships Program	14.239	BC-01-003-2	<u>99,583</u>	<u>-</u>	<u>98,748</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			447,245	-	447,028	-

(Continued)

**ASHLAND COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2004**

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 Labor						
<i>Passed through the Ohio Department of Job and Family Services:</i>						
Workforce Investment Act Cluster:						
Workforce Investment Act Youth Activities	17.259		52,609	-	64,579	-
Workforce Investment Act Youth Activities Administration			7,942	-	2,076	-
Total Workforce Investment Act Youth Activities			60,551	-	66,655	-
Workforce Investment Act Adult Program	17.258		42,345	-	53,485	-
Workforce Investment Act Adult Program Administration			6,230	-	1,629	-
Total Workforce Investment Act Adult Program			48,575	-	55,114	-
Workforce Investment Act Dislocated Workers	17.260		49,458	-	40,681	-
Workforce Investment Act Dislocated Workers Administration			6,950	-	1,817	-
Total Workforce Investment Act Dislocated Workers			56,408	-	42,498	-
Workforce Investment Act Rapid Response	17.260		238	-	50,560	-
Workforce Investment Act Rapid Response Administration			3,311	-	866	-
Total Workforce Investment Act Rapid Response			3,549	-	51,426	-
Total passed through the Ohio Department of Job and Family Services			169,083	-	215,693	-
<i>Passed through Area 7 Workforce Investment Board:</i>						
Workforce Investment Act Cluster:						
Workforce Investment Act Youth Activities	17.259		67,310	-	56,696	-
Workforce Investment Act Youth Activities Administration			2,317	-	5,039	-
Total Workforce Investment Act Youth Activities			69,627	-	61,735	-
Workforce Investment Act Adult Program	17.258		29,254	-	41,633	-
Workforce Investment Act Adult Program Administration			1,817	-	3,952	-
Total Workforce Investment Act Adult Program			31,071	-	45,585	-
Workforce Investment Act Dislocated Workers	17.260		49,908	-	65,432	-
Workforce Investment Act Dislocated Workers Administration			2,027	-	4,409	-
Total Workforce Investment Act Dislocated Workers			51,935	-	69,841	-
Workforce Investment Act Rapid Response Administration	17.260		966	-	2,100	-
Total passed through Area 7 Workforce Investment Board			153,599	-	179,261	-
Total U. S. Department of Labor and Workforce Investment Act Cluster			322,682	-	394,954	-
U.S. Department of Education						
<i>Passed through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	84.027	069625-6BSF-2005	21,152		21,152	
		069625-6BSF-2004	24,555	-	24,555	-
Total Special Education Grants to States			45,707	-	45,707	-
Special Education Preschool Grants	84.173	069625-PGS1-2005	6,823	-	6,823	-
		069625-PGS1-2004	9,783	-	9,783	-
Total Special Education Preschool Grants			16,606	-	16,606	-
Total Special Education Cluster			62,313	-	62,313	-
Innovative Education Program Strategies	84.298	069625-C2SI-2005	104	-	104	-
		069625-C2SI-2004	481	-	481	-
Total Innovative Education Program Strategies			585	-	585	-
Total U.S. Department of Education			62,898	-	62,898	-

(continued)

**ASHLAND COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2004**

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 Agriculture						
<i>Passed through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program	10.553	069625-05PU-2004	11,194	-	11,194	-
National School Lunch Program	10.555	069625-LLP4-2004	22,901	-	22,901	-
Food Distribution	10.550	N/A	-	\$4,670	-	\$4,670
Total U.S. Department of Agriculture - Child Nutrition Cluster			34,095	4,670	34,095	4,670
U.S. General Service Agency						
<i>Passed through the Ohio Secretary of State</i>						
Election Reform Payments	39.011		-	-	7,559	-
U.S. Department of Homeland Security						
<i>Passed through the Ohio Emergency Management Agency</i>						
Homeland Security Grant Program	97.004	2002-TE-CX-0106	57,222	-	57,222	-
		2003-TE-TX-0199	86,940	-	86,940	-
		2003-MUP-30015	106,923	-	106,923	-
Total U.S. Department of Homeland Security - Homeland Security Grant Program			251,085	-	251,085	-
U.S. Department of Justice						
<i>Passed through the Ohio Criminal Justice Services</i>						
Crime Victim Assistance	16.575	2003-VAGENE-306T	30,801	-	31,496	-
		2005-VAGENE-306	10,275	-	8,146	-
Total Crime Victim Assistance			41,076	-	39,642	-
Violence Against Women Formula Grant	16.588	2003-WF-VA6-8182	21,918	-	31,682	-
Bulletproof Vest Partnership Program	16.607	n/a	6,092	-	6,092	-
Local Law Enforcement Block Grants Program	16.592	2003-LE-LEB-3545	2,140	-	2,140	-
Total U.S. Department of Justice			71,226	-	79,556	-
Total			\$3,098,045	\$4,670	\$3,090,818	\$4,670

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

ASHLAND COUNTY

NOTES TO FEDERAL AWARD RECEIPTS AND EXPENDITURES SCHEDULE FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (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, 2004, 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, 2004, the gross amount of loans outstanding was \$48,688 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.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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, each major fund and the aggregate discretely presented component unit and remaining fund information of Ashland County, Ohio, (the County) as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 23, 2005. 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' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated September 23, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the County's management dated September 23, 2005, we reported other matters related to noncompliance we deemed immaterial.

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We intend this report solely for the information and use of management, the Board of Commissioners, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 23, 2005



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH 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 apply to each of its major federal programs for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Government's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, Ashland County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The County's management 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 Government's internal control over compliance with requirements that could directly and materially affect a major federal program 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of management, the Board of Commissioners, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 23, 2005

ASHLAND COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Was there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Was there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Medical Assistance Program CFDA# 93.778 Homeland Security Grant Program CFDA# 97.004
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

ASHLAND COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315(b)
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Rev. Code Section 5705.41(D) - availability of funds to pay various expenditures was not properly certified.	No	Partially corrected. Repeated in the management letter.
2003-002	The County Regional Planning Commission did not comply with Ohio Department of Development Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook Section A(3)f, which requires grantees to spend grant draw downs to a balance less than \$5,000 within fifteen days of receipt of any funds.	Yes	Finding no longer valid.



**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
OCTOBER 20, 2005**